FIRST INVESTMENT COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

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

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

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

Emphasis of Matter
We draw attention to the following:

- Note 22 to the consolidated financial statements relating to the outcome of the tax demand notice issued by the General Authority of Zakat and Tax ('GAZT'), Kingdom of Saudi Arabia ("tax claim") for one of the Group's subsidiaries. The Group has recorded a provision in the books of account as at 31 December 2018 as detailed in Note 22, that represents management's best estimate of the ultimate liability on the tax claim. Notwithstanding the above, there is a significant material uncertainty related to the ultimate outcome of the tax claim.

- We draw attention to Note 23 to the consolidated financial statements which describes the significant uncertainty related to the final outcome of ongoing litigation. As stated in Note 23, the Parent Company is the defendant in legal proceedings brought by several portfolio clients ("clients") in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation and no final court rulings have been issued by the Court of Cessation as of date, and accordingly it is not practical to estimate the potential effect of these claims. During the year ended 31 December 2018, the Group has recognised a provision of KD 110 thousand against the litigation claims for which appeal verdicts have been issued, reflecting management's best estimate of the most likely outcome of these litigations.

Our opinion is not modified in respect of these matters.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P.

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

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

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

Valuation of unquoted equity securities

The Group's investment securities amounted to KD 26,559,461 representing 26% of the Group's total assets as at 31 December 2018, including unquoted equity investments of KD 25,598,499 designated at fair value through other comprehensive income (FVOCI) and categorised within Level 3 of the fair value hierarchy as disclosed in Note 21 to the consolidated financial statements.

The Group has engaged an external management expert to assist in the valuation of investment securities that cannot be measured based on quoted prices in active markets, and their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

Given the size and complexity of the valuation of unquoted equity securities and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter.

Our audit procedures included, among others, the following:

- For valuations, which used significant unobservable inputs, we have tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy.

- We have also involved our internal specialists in assessing the valuation methodology used and significant judgments and assumptions applied to the valuation model, including appropriateness of the comparable listed companies selection, the pricing multiples and discounts for lack of marketability when applicable.

- We evaluated whether the external management expert is independent, has the necessary competency, capabilities and objectivity for audit purposes.

- We assessed the adequacy and the appropriateness of the Group's disclosures concerning the Group's exposure to financial instrument valuation risk, fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in Note 21 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

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

Key Audit Matters (continued)

Impairment of investment in associates

The Group exercises significant influence over certain entities assessed to be associates amounting to KD 50,832,184 as at 31 December 2018, including listed associates with a carrying value of KD 25,444,943. Investment in associates are accounted for under the equity method of accounting for associate, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment provisions.

Management determines at the end of each reporting period the existence of any objective evidence through which the Group's investment in associates may be impaired. If there is an indication that the Group's interests in an associate might be impaired, the management compares the entire carrying amount of the investment in associate to its recoverable amount.

As at 31 December 2018, management identified an impairment trigger for certain listed associates where the carrying amount of the investment was higher than its fair value based on prevailing market share price. Management therefore performed an impairment assessment to calculate the value in use model which is dependent on combination of highly judgemental inputs and assumptions including estimated future cash flow projections, terminal value growth rate and discount rate.

Given the significant judgments and estimates involved in assessing the recoverable amounts of investment in associates, we have considered this as a key audit matter.

Our audit procedures included, among others, the following:

- We evaluated management's assessment as to whether objective evidence of impairment exists in relation to the Group's interest in the associate and the qualitative and quantitative factors used such as the investee's financial performance including dividends, and market, economic or legal environment in which the associate operates.
- We involved our internal specialists to evaluate the significant assumptions and valuation methods used by the management, and the reasonableness and appropriateness of those assumptions and methods in the circumstances.
- We have tested source data used in these valuations, to the extent possible, with the relevant supporting documents, independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy.
- We evaluated the adequacy of the Group's disclosures in Note 9 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivity analysis.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

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

Key Audit Matters (continued)

Valuation of investment properties

Investment properties represent 12% of the Group's total assets and are measured at fair value for an amount of KD 12,571,037 as at 31 December 2018.

The management of the Group engages professionally qualified external valuers to assess the fair value of its investment properties on an annual basis.

The valuation of investment properties is highly dependent on estimates and assumptions, such as rental value, occupancy rates, discount rates, maintenance status, and financial stability of tenants, market knowledge and historical transactions. Given the size of investment properties and the complexity of valuation and the importance of disclosures relating to assumptions used in the valuation, we considered the valuation of investment properties as a key audit matter.

Our audit procedures included, among others, the following:

- We assessed the competence, independence and objectivity of the external valuers.
- We assessed for valuation reports obtained whether the valuation methods as applied by the external valuers are acceptable for the purpose of the valuation of the underlying investment property.
- We assessed the appropriateness of the property related data, including key estimates and assumptions as used by the external valuers by and compared these, to the extent possible, to other publicly available information of the property industry.
- We performed audit procedures on a sample of the investment properties, to test whether property specific standing data provided to the external valuers by management reflected the underlying property records held by the Group.
- We assessed the adequacy and the appropriateness of the Group's disclosures concerning investment properties in Note 11 and Note 21 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

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

Other information included in the Group's 2018 Annual Report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged for Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of the 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 relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (CONTINUED)

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

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

- 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory count was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, have occurred during the year ended 31 December 2018, that might have had a material effect on the business of the Parent Company or on its financial position.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements (continued)

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

31 March 2019
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	*2018 KD*	*2017 KD*
INCOME			
Revenue from construction contracts		**122,923**	502,991
Revenue from contracts with customers		**1,984,617**	2,254,873
		2,107,540	2,757,864
Cost of construction contracts		**(282,417)**	(520,727)
Cost of sales		**(1,518,021)**	(1,699,133)
		(1,800,438)	(2,219,860)
Gross profit		**307,102**	538,004
Murabaha income		**73,177**	92,859
Gain (loss) on sale of financial assets at fair value through profit or loss		**94,693**	(12,738)
Net change in fair value of financial assets at fair value through profit or loss		**(11,082)**	(18,128)
Realised gain on sale of available-for-sale financial assets		**-**	18,644
Share of results of associates	9	**581,540**	1,846,560
Loss on sale of properties under development	10	**(47,187)**	-
Gain (loss) on disposal of investment in associates	9	**157,143**	(97,018)
Net change in fair value of investment properties	11	**289,408**	(160,715)
Dividend income	4	**331,731**	183,295
Rental income		**937,510**	1,012,542
Management fees		**270,863**	431,067
Net foreign exchange differences		**13,609**	(48,558)
Reversal of excess tax provision	13	**523,996**	500,000
Other income		**43,338**	13,599
TOTAL INCOME		**3,565,841**	4,299,413
EXPENSES			
Staff costs		**(1,880,507)**	(2,371,710)
Depreciation		**(161,622)**	(177,470)
Amortisation		**(59,771)**	(59,771)
Finance costs		**(230,687)**	(169,441)
Impairment of available-for-sale financial assets		**-**	(22,393)
Impairment of properties under development	10	**(66,194)**	(54,801)
Provision for impairment of other receivables	8	**(87,625)**	(128,419)
Other expenses and provisions		**(1,023,425)**	(819,714)
TOTAL EXPENSES		**(3,509,831)**	(3,803,719)
PROFIT FOR THE YEAR		**56,010**	495,694
Attributable to:			
Equity holders of the Parent Company		**239,499**	750,245
Non-controlling interests		**(183,489)**	(254,551)
		56,010	495,694
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	5	**0.37 fils**	1.16 fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	*2018 KD*	*2017 KD*
Profit for the year		**56,010**	495,694
Other comprehensive (loss) income			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Net loss on equity instruments designated at fair value through other comprehensive income		**(5,728,814)**	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(5,728,814)**	-
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Change in fair value of available-for-sale financial assets (IAS 39)		-	993,767
Share of other comprehensive income (loss) of associates accounted for using the equity method	9	**69,076**	(378,975)
Net exchange differences transferred to profit or loss upon liquidation of a foreign associate	9	**(136,980)**	-
Net exchange differences on translation of foreign operations		**21,395**	(34,815)
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods		**(46,509)**	579,977
Other comprehensive (loss) income for the year		**(5,775,323)**	579,977
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(5,719,313)**	1,075,671
Attributable to:			
Equity holders of the Parent Company		**(5,468,945)**	1,339,859
Non-controlling interests		**(250,368)**	(264,188)
Total comprehensive (loss) income for the year		**(5,719,313)**	1,075,671

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	*2018* *KD*	*2017* *KD*
ASSETS			
Cash and cash equivalents	6	**5,978,922**	7,215,102
Financial assets at fair value through profit or loss	7	**130,504**	1,149,442
Other assets	8	**1,967,874**	1,612,424
Inventories		**765,221**	957,038
Financial assets at fair value through other comprehensive income	7	**26,428,957**	-
Available-for-sale financial assets	7	**-**	32,327,431
Investment in associates	9	**50,832,184**	49,382,284
Properties under development	10	**913,422**	2,548,969
Investment properties	11	**12,571,037**	11,198,150
Property, plant and equipment		**2,622,318**	2,730,703
Goodwill and other intangible assets		**1,700,619**	1,760,390
TOTAL ASSETS		**103,911,058**	110,881,933
LIABILITIES AND EQUITY			
Liabilities			
Murabaha payables	12	**3,823,027**	3,027,472
Other liabilities	13	**3,330,537**	5,017,254
End of service benefits		**887,595**	829,052
Total liabilities		**8,041,159**	8,873,778
Equity			
Share capital	14	**65,107,055**	65,107,055
Share premium	14	**18,250,362**	18,250,362
Treasury shares	14	**(108,816)**	(108,816)
Statutory reserve	15	**1,299,173**	1,275,223
Share options reserve	15	**3,016,890**	3,016,890
Treasury shares reserve	14	**1,118,684**	1,118,684
Fair value reserve	15	**(4,163,287)**	1,510,289
Foreign currency translation reserve	15	**1,421,533**	1,471,906
Retained earnings		**5,504,252**	5,705,139
Equity attributable to equity holders of the Parent Company		**91,445,846**	97,346,732
Non-controlling interests		**4,424,053**	4,661,423
Total equity		**95,869,899**	102,008,155
TOTAL LIABILITIES AND EQUITY		**103,911,058**	110,881,933

Bader Mohammed Al-Qattan
Chairman

Eisa A. S. Alweggian
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company											
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Statutory reserve KD*	*Share options reserve KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2018 as previously reported (audited)	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,510,289	1,471,906	5,705,139	97,346,732	4,661,423	102,008,155
Transition adjustment on initial application of IFRS 9 at 1 January 2018 (Note 2.2)	-	-	-	-	-	-	(15,505)	-	(416,436)	(431,941)	-	(431,941)
As at 1 January 2018 (restated)	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,494,784	1,471,906	5,288,703	96,914,791	4,661,423	101,576,214
Profit (loss) for the year	-	-	-	-	-	-	-	-	239,499	239,499	(183,489)	56,010
Other comprehensive loss for the year	-	-	-	-	-	-	(5,658,071)	(50,373)	-	(5,708,444)	(66,879)	(5,775,323)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	(5,658,071)	(50,373)	239,499	(5,468,945)	(250,368)	(5,719,313)
Transfer to statutory reserve	-	-	-	23,950	-	-	-	-	(23,950)	-	-	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	12,998	12,998
As at 31 December 2018	**65,107,055**	**18,250,362**	**(108,816)**	**1,299,173**	**3,016,890**	**1,118,684**	**(4,163,287)**	**1,421,533**	**5,504,252**	**91,445,846**	**4,424,053**	**95,869,899**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company											
	Share capital KD	*Share premium KD*	*Treasury shares KD*	*Statutory reserve KD*	*Share options reserve KD*	*Treasury shares reserve KD*	*Available-for-sale reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
At 1 January 2017	65,107,055	18,250,362	(108,816)	1,200,198	3,016,890	1,118,684	588,197	1,804,384	5,029,919	96,006,873	9,395,995	105,402,868
Profit (loss) for the year	-	-	-	-	-	-	-	-	750,245	750,245	(254,551)	495,694
Other comprehensive income (loss) for the year	-	-	-	-	-	-	922,092	(332,478)	-	589,614	(9,637)	579,977
Total comprehensive Income (loss) for the year	-	-	-	-	-	-	922,092	(332,478)	750,245	1,339,859	(264,188)	1,075,671
Transfer to statutory reserve	-	-	-	75,025	-	-	-	-	(75,025)	-	-	-
Distribution due to liquidation of a subsidiary (Note 9)	-	-	-	-	-	-	-	-	-	-	(4,644,606)	(4,644,606)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	174,222	174,222
At 31 December 2017	65,107,055	18,250,362	(108,816)	1,275,223	3,016,890	1,118,684	1,510,289	1,471,906	5,705,139	97,346,732	4,661,423	102,008,155

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit for the year		56,010	495,694
Adjustments to reconcile profit for the year to net cash flows:			
Murabaha income		(73,177)	(92,859)
(Gain) loss on sale of financial assets at fair value through profit or loss		(94,693)	12,738
Net change in fair value of financial assets at fair value through profit or loss		11,082	18,128
Gain on sale of financial assets available for sale		-	(18,644)
Share of results of associates	9	(581,540)	(1,846,560)
(Gain) loss on sale of investment in an associate		(157,143)	97,018
Loss on sale of properties under development	10	47,187	-
Impairment of properties under development	10	66,194	54,801
Valuation (gains) losses on investment properties	11	(289,408)	160,715
Dividend income	4	(331,731)	(183,295)
Net foreign exchange differences		(13,609)	48,558
Depreciation		258,904	257,276
Amortisation		59,771	59,771
Finance costs		230,687	169,441
Impairment loss on available-for-sale financial assets		-	22,393
Allowance for expected credit losses (2017: Provision for impairment of other receivables)	8	87,625	128,419
Provision for employees' end of service benefits		185,314	578,723
Provision for legal claims		110,863	-
Reversal of zakat provision	13	(523,996)	(500,000)
		(951,660)	(537,683)
Working capital adjustments:			
Net movement in financial assets at fair value through profit or loss		893,504	234,366
Inventories		191,817	136,329
Other assets		(724,977)	(357,940)
Other liabilities		(1,166,767)	(1,056,227)
Cash used in operations		(1,758,083)	(1,581,155)
Murabaha income received		71,954	90,887
Finance costs paid		(232,120)	(169,441)
Employees' end of service benefits paid		(126,771)	(357,375)
Net cash flows used in operating activities		(2,045,020)	(2,017,084)
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired		-	(3,068,185)
Dividend income received		331,731	183,295
Purchase of available-for-sale financial assets		-	(88,276)
Proceeds from redemption of available-for-sale financial assets		-	20,644
Purchase of financial assets at fair value through other comprehensive income		(102,869)	-
Proceeds from sale of financial assets at fair value through other comprehensive income		482,150	-
Additions to investment in associates	9	(2,016,094)	(1,625,000)
Proceeds from disposal of investment in associates	9	91,481	462,640
Dividends received from associates	9	898,845	749,571
Development expenditure on properties under development		-	(6,859)
Proceeds from sale of properties under development		1,527,101	-
Development expenditure on investment properties	11	(1,044,706)	(1,180,953)
Purchase of property and equipment		(150,519)	(210,150)
Net cash flows from (used in) investing activities		17,120	(4,763,273)
FINANCING ACTIVITIES			
Proceeds from murabaha payables	12	1,101,602	991,311
Repayment of murabaha payables	12	(318,560)	(205,728)
Dividends paid		(4,320)	(24,822)
Net movement in non-controlling interests		12,998	174,222
Net cash flows from financing activities		791,720	934,983
NET DECREASE IN CASH AND CASH EQUIVALNETS		(1,236,180)	(5,845,374)
Cash and cash equivalents as at 1 January		7,215,102	13,060,476
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	6	5,978,922	7,215,102

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

1 CORPORATE INFORMATION

The consolidated financial statements of First Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 27 March 2019. The shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on the Kuwait Stock Exchange ("KSE"). The Parent Company is regulated by the Central Bank of Kuwait (CBK) as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA").

The registered office of the Parent Company is located at Al Hamra Tower, 68th floor, Al Shahada Street, Sharq Area, Kuwait City, Kuwait.

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Sharia'a principles as approved by the Group's Fatwa and Sharia'a. Supervisory Board.

The Parent Company's principal objectives comprise the following:

- Conduct all financial brokerage activities and other related activities.
- Invest in real estate, industrial, agricultural, and other economic sectors through shareholding in incorporating specialised companies or acquisition of shares of such companies.
- Carry out securities trading transitions including buying and selling stocks and bonds of governmental and non-governmental agencies and companies.
- Carry out real estate investment deals with the objective of developing residential lands and constructing residential and commercial units for sale or rent.
- Assume the role of a Fund Trustee and Third Party Portfolio Manager as well as the related borrowing and lending transactions.
- Carry out finance and brokerage activities in the international trading transactions.
- Produce researches, studies, and other technical services related to investment operations and third party fund employment, provided that the required conditions should be met by those exercising such activities.
- Establish and manage mutual funds in pursuance with Law and subject to approval of the competent authorities.
- Assume the role of lead manager for bonds issued by companies and agencies.
- Carry out brokerage business in the investment of financial instruments and securities.
- Finance the buying and selling of residential plots for housing purposes, and to finance the construction of residential buildings on such plots.
- Finance purchase and sale of durable and consumable goods.
- Invest fund for its own interest and for the interest of the third parties in all types of investments by means of leasing, and to do the necessary acquisition and leasing of movable assets.
- Purchase lands and real estates for the purpose of selling the same in their original condition or after the division thereof, leasing the same unoccupied or uninhabited, or after the construction of new facilities, building, and equipment.

Information on the Group's structure is provided in below. Information on other related party relationships of the Group is provided in Note 16.

1.2 GROUP INFORMATION

(a) Subsidiaries

The consolidated financial statements of the Group include:

Name of the entity	*Country of incorporation*	*% equity interest 2018*	*% equity interest 2017*	*Principal activities*
Al Marwa Holding Company K.S.C. (Closed) [1]	Kuwait	**99.22%**	99.22%	Holding company
FIC Projects Development Company [4]	Cayman Islands	**100%**	100%	Real estate investment
Deema Real Estate Investment Company L.L.C.	KSA	**100%**	100%	Real estate investment
First Energy Resource Company K.S.C. (Closed) - Under Liquidation ("FERCO") [3]	Kuwait	**33.21%**	33.21%	Energy sector
Masadar Energy Company for General Trading W.L.L. [1]	Kuwait	**98.00%**	98.00%	General trading
Shomoul Real Estate Company L.L.C.	KSA	**50.00%**	50.00%	Real estate investment
Yasmeen Al Kuwait Real Estate Company W.L.L. [1]	Kuwait	**97.00%**	97.00%	Real estate trading
Q80 International Valve Industries Company W.L.L.	Kuwait	**66.67%**	66.67%	Manufacturing
Asian Petroleum Facilities Maintenance Company W.L.L.	Kuwait	**66.67%**	66.67%	Energy sector
First Logistic Services L.L.C. [2]	Oman	**53.87%**	53.87%	Logistics services
Gulf Business Forms Company W.L.L. [1]	Kuwait	**100%**	100%	Manufacturing

1 The Parent Company effectively owns 100% equity interest in the above entities. Accordingly, the consolidated financial statements have been prepared on this basis. The ownership of the remaining equity interest in these subsidiaries is registered in the name of related parties as nominees. However, the Parent Company is the beneficial owner for 100% equity interest.

2 The Group's effective equity interest is 65% (2017: 65%).

3 The Group consolidates this entity based on de facto control. See Note 3 for more details.

4 As at 31 December the subsidiary has been fully dissolved and is no longer part of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations issued by the Central Bank of Kuwait ("CBK") for financial services institutions in the State of Kuwait. These regulations require the expected credit loss ("ECL") on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The consolidated financial statements have been prepared on a historical cost basis, except for investment securities and investment properties that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is also the functional currency of the Parent Company.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 19.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment is described below:

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

IFRS 9 - *Financial Instruments*
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.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

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

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

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

- Accounts receivable classified as 'Loans and receivables' under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as 'Debt instruments at amortised cost' beginning 1 January 2018.

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

- Equity securities that the Group designated as at FVTPL under IAS 39 because they were managed on a fair value basis and their performance was monitored on this basis have been classified as mandatorily measured at FVTPL under IFRS 9 beginning 1 January 2018.

- Managed funds classified as Available-for-sale (AFS) financial assets as at 31 December 2017 and fail to meet the SPPI criterion have been classified and measured at FVPTL under IFRS 9

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

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 amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Group is required to calculate provision for credit losses on loans and advances in accordance with the instructions issued by the CBK. Impairment of loans and advances shall be recognised at the higher of ECL under IFRS 9 per CBK guidelines, and the provision required by the CBK instructions. IFRS 9 requires the Group to recognise an allowance for ECLs for all other debt instruments not held at fair value through profit or loss and contract assets. The quantitative impact of adoption of IFRS 9 as at 1 January 2018 is disclosed in Transitional provisions below.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 9 - *Financial Instruments (continued)*

c) Hedge accounting

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

IFRS 15 - *Revenue from Contracts with Customers*

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

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

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

Amendments to IAS 40 - Transfers of Investment Property

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

Transitional provisions

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

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

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
   - The determination of the business model within which a financial asset is held.
   - The designation of certain financial assets as measured at FVTPL.

The total impact on the Group's retained earnings and fair value reserve as at 1 January 2018 is as follows:

	Retained earnings KD	*Fair value reserve KD*
Closing balance under IAS 39 (31 December 2017)	**5,705,139**	**1,510,289**
Impact on reclassification and re-measurements:		
Financial assets reclassified from AFS to FVTPL	**15,505**	**(15,505)**
Other current assets	**(185,294)**	-
IFRS 9 impact from associates	**(246,647)**	-
	(416,436)	**(15,505)**
Opening balance under IFRS 9 on date of initial application at 1 January 2018	**5,288,703**	**1,494,784**

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Transitional provisions (continued)

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

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39*	*Transition adjustment*	*New carrying amount under IFRS 9*
Financial assets:			*KD*	*KD*	*KD*
Cash and cash equivalents	Loans and receivables	Amortised cost	7,215,102	-	**7,215,102**
Financial assets at fair value through profit or loss	FVTPL	FVOCI	242,702	-	**242,702**
Other current assets	Loans and receivables	Amortised cost	1,612,424	**(185,294)**	**1,427,130**
Investment in unquoted funds	AFS	FVTPL	33,081	-	**33,081**
Investment in equity securities	AFS	FVOCI	32,294,350	-	**32,294,350**
Total financial assets			**41,397,659**	**(185,294)**	**41,212,365**

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

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 16 *Leases (continued)*
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 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Business combinations and acquisition of non-controlling interests
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or

loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.
The aggregate of the Group's share of results of an associate is shown on the face of the consolidated statement of profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

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

The financial statements of the associate are prepared for the same reporting period as the Group and in case of different reporting date of associates, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Revenue recognition
Policy applicable before 1 January 2018
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.
The specific recognition criteria must also be met before revenue is recognised:
- Sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, normally on delivery of the goods.
- Sale of properties is recognised when the risk and rewards of ownership have passed to the buyer usually evidenced by transfer of title of the properties.
- Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.
- Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.
- Management fees relating to portfolios and fund management, custody and on-going advisory services are recognised when earned.
- Dividends income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Revenue recognition (continued)
Policy effective from 1 January 2018
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer, if any.

(i) Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Company does not have any contracts for the sale of goods provide customers with a right of return or involve volume rebates.

(ii) Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when the customer pays for that good will be one year or less. The Group do not receives any long term advances from customer.

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

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

National Labour Support Tax (NLST)
The Parent Company calculates NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolution No. 24 of 2006 at 2.5% of taxable profit for the year after deducting Board of Directors' remuneration for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

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

Taxation on foreign subsidiaries
Taxation on foreign subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the country where the subsidiaries operate.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Financial assets - Policy effective from 1 January 2018 (IFRS 9) (continued)
All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial instruments (continued)
Financial assets – Business model assessment: Policy applicable from 1 January 2018 (continued)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

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

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

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

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

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

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

▸ Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
▸ Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
▸ Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses arerecognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
▸ Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial instruments (continued)
Financial assets – Policy applicable before 1 January 2018

▸ Financial assets at fair value through profit or loss	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
▸ Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
▸ Loans and receivables	Measured at amortised cost using the effective interest method.
▸ Financial assets available for sale (AFS)	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include Murabaha payables and other liabilities.

c) Derecognition

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

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

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

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

Impairment of financial assets - *Policy applicable from 1 January 2018*
Financial instruments and contract assets

The Group recognises an allowance for expected credit losses (ECLs) on:
- ▸ financial assets measured at amortised cost;
- ▸ debt investments measured at FVOCI; and
- ▸ contract assets.

Equity investments are not subject to ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
Financial instruments (continued)
Impairment of financial assets - ***Policy applicable from 1 January 2018 (continued)***
Financial instruments and contract assets (continued)

Impairment of credit facilities
Credit facilities granted by the Group consists of loans and advances. Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Impairment of other financial assets other than credit facilities
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a three stage approach to measure the expected credit loss as follows:

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Groups methodology for specific provisions remains largely unchanged.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Impairment of financial assets - *Policy applicable before 1 January 2018 (continued)*
Loans and advances
Loans and advances are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated statement of profit or loss.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities are made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

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

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

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

Inventories
Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:
- Raw materials: purchase cost on a first-in/first-out basis.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property, plant and equipment
Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Land has an unlimited useful life and therefore is not depreciated. Other items of property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of profit or loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which ranges between 3 to 25 years.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

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

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

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit income when the asset is derecognised.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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

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

Treasury shares
The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares (continued)
Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Share based payment transactions
The Group operates an equity-settled, share-based Employee Stock Option Plan (ESOP). The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the market value of the Parent Company's shares at each reporting date and the date of final settlement to the exercise price with any change in intrinsic value recognised in the consolidated statement of profit or loss.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date, reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the Board of Directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

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

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

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

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

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 non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
Group companies (continued)
Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Fiduciary assets
The Group provides asset management and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of real estate properties
Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property, plant and equipment.

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant Judgements (continued)

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

Consolidation of entities in which the Group holds less than 50% of voting right (de facto control)
The Group considers that it controls FERCO even though it owns less than 50% of the voting rights. This is because the Group is the single largest shareholder of FERCO with a 33.21% equity interest. The remaining 67% of the equity shares in FERCO are widely held by many other shareholders and there is no history of the other shareholders collaborating to exercise their votes collectively or to outvote the Group. Further, he Group has a majority representation on the entity's liquidation committee and the Group's approval is required for all major operational decisions.

Equity accounting of investment in associate in which the Group holds less than 20% of voting rights
Burgan Company for Well Drilling K.S.C.P. ("BDC") is an associate of the Group as described in Note 9 even though the Group only owns 14.66% interest in the associate. Significant influence arises by virtue of the Group's contractual right to appoint two out of the six members of the board of directors of the associate.

Legal proceedings
In accordance with IFRSs, the Group recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements.

Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the financial statements, could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

Impairment of financial assets at amortised cost

Effective before 1 January 2018 (IAS 39)

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

Effective from 1 January 2018 (IFRS 9)

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

Business combinations

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

Valuation of investment properties

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

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 11.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the CGU to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The key assumptions used to determine the recoverable amount for the CGU to which the goodwill is allocated, including a sensitivity analysis, are disclosed in Note 9.

Fair value measurement

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

Useful lives of property, plant and equipment and intangible assets

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

Impairment of property, plant and equipment and intangible assets

The carrying amounts of the Group's property, plant and equipment and intangible assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

4 DIVIDEND INCOME

	2018	*2017*
	KD	*KD*
Financial assets at fair value through profit or loss	**27,449**	52,017
Financial assets at fair value through other comprehensive income	**304,282**	-
Available-for-sale financial assets (IAS 39)	**-**	131,278
	331,731	183,295

5 EARNINGS PER SHARE (EPS)

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

	2018	*2017*
Profit for the year attributable to equity holders of the Parent Company (KD)	**239,499**	750,245
Weighted average number of shares outstanding (shares) *	**649,442,622**	649,442,622
Basic and diluted EPS (fils)	**0.37**	1.16

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following at 31 December:

	2018	*2017*
	KD	*KD*
Cash on hand	**11,714**	2,448
Cash at bank	**2,175,261**	2,062,452
Murabaha deposits with original maturities of three months or less	**2,991,651**	5,144,204
Cash held in managed portfolios	**800,296**	5,998
Cash and cash equivalents	**5,978,922**	7,215,102

Murabaha deposits with a carrying amount of KD 1,300,000 (2017: KD 1,300,000) have been pledged to fulfill collateral requirements of murabaha payables of the Group (Note 12).

Murabaha deposits represent murabaha contracts with local Islamic banks with an original maturity of three months or less. The effective profit rates on these murabaha placements range between 2.30% and 2.75% (2017: 0.85% and 1.88%) per annum.

6 CASH AND CASH EQUIVALENTS (continued)

In the prior year, First Energy Resource Company K.S.C.C. (Under Liquidation), a subsidiary of the Group, has announced the distribution of first liquidation cash payment amounting to KD 6,062,000 to the shareholders. As a result of liquidation, the Parent Company received KD 2,013,311. Distributions payable to non-controlling interests amounted to KD 4,048,689. As at 31 December 2018, certain shareholders have not collected their share of the distribution. Accordingly, the cash and cash equivalents disclosed above and in the consolidated statement of cash flows includes certain bank balances with an amount KD 312,255 (2017: KD 391,061) which have been restricted for the purpose of distribution to these shareholders and are therefore not available for general use by the Group.

7 INVESTMENT SECURITIES

	2018 *KD*	*2017* *KD*
New classification under IFRS 9		
Financial assets at FVTPL		
Quoted equity securities	**65,139**	-
Unquoted investment fund*	**65,365**	-
	130,504	-
Financial assets at FVOCI		
Quoted equity securities	**830,458**	-
Unquoted equity securities	**25,598,499**	-
	26,428,957	-
Investment securities (at fair value)	**26,559,461**	-
Financial assets at FVTPL		
Quoted equity securities	-	830,171
Unquoted equity securities	-	242,702
Unquoted investment fund*	-	76,569
	-	1,149,442
Original classification under IAS 39		
Available-for-sale financial assets (AFS)		
Quoted equity securities	-	1,384,252
Unquoted equity securities**	-	29,166,788
Private equity funds	-	33,081
AFS financial assets measured at fair value	-	30,584,121
Investment securities (at fair value)	-	31,733,563
AFS financial assets measured at cost	-	1,743,310
Investment securities	-	33,476,873

* This balance represents an open-ended unlisted investment fund currently under liquidation by the Parent Company. Management assessed that the reported net asset value ("NAV") of the underlying fund is a reasonable approximation of its fair value.

**As at 31 December 2017, equity instruments amounting to KD 1,743,310 that do not have a quoted price in active market and whose fair value cannot be measured reliably were accounted at cost (in accordance with IAS 39). These instruments have been measured at fair value at the date of initial application of IFRS 9. Any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings. (Note 2.2).

The hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques are presented in Note 21.

8 OTHER ASSETS

	2018	*2017*
	KD	*KD*
Accrued management fees	**169,177**	117,172
Prepayments	**85,272**	275,241
Other receivables*	**1,713,425**	1,220,011
	1,967,874	1,612,424

*As at 31 December 2018, other receivables with an initial carrying value of KD 1,088,789 (2017: KD 1,088,789) were impaired and fully provided for. See below for the movements in the allowance for expected credit losses/ provision for impairment of other receivables:

	2018	*2017*
	KD	*KD*
As at 1 January	**1,088,789**	960,370
Charge for the year	**87,625**	128,419
Write-off	**(87,625)**	-
As at 31 December	**1,088,789**	1,088,789

9 INVESTMENT IN ASSOCIATES

		2018		*2017*		
Name of the company	***County of incorporation***	***Percentage of ownership %***	***Carrying amount KD***	*Percentage of ownership %*	*Carrying amount KD*	Principal activities
Burgan Company for Well Drilling K.S.C.P. ("BDC") [1]	Kuwait	**14.66%**	**12,450,793**	14.66%	12,033,969	Oil Field services
Arkan Al-Kuwait Real Estate Company K.S.C.P. "Arkan"	Kuwait	**28.99%**	**12,994,150**	28.99%	12,666,827	Real Estate
First Education Company K.S.C. (Closed) ("FEDCO")	Kuwait	**22.19%**	**3,631,654**	22.19%	4,178,334	Education
Taameer Investment Company O.L.L.C. ("Taameer") [3]	Oman	**37.40%**	**13,954,180**	37.40%	13,179,485	Investment and Real Estate
Al Jazeera Al Oula Real Estate W.L.L.	KSA	**20.90%**	**4,418,992**	20.90%	3,913,045	Real Estate
Sahab Al-Khalij Real Estate Company B.S.C. (Closed) – Under Liquidation	Bahrain	**-**	**-**	35.29%	71,318	Real Estate
Al-Subeih Medical Company (Khalid Hamad Al-Subeih & Partners) W.L.L. [2]	Kuwait	**25%**	**2,792,580**	25%	2,756,963	Medical Equipment and hospital Management
Sons of Yousef Al-Subeih Real Estate Company (Khalid Hamad Al-Subeih & Partners)W.L.L. [2]	Kuwait	**25%**	**589,835**	25%	582,343	Real Estate
			50,832,184		49,382,284	

9 INVESTMENT IN ASSOCIATES (continued)

[1] The Group exercises significant influence over the investee company BDC by appointment of 2 board members out of a total board members of 6. The Group has considered the significant influence achieved through absolute voting rights to be sufficient to give it the practical ability to influence the relevant activities of the investee company, despite the fact that it has less than 20% shareholding.

[2] During the prior year, the Parent Company entered into a purchase agreement (the "Agreement") to acquire 25% equity stake in Al-Subeih Medical Company (Khaled Hamad Al-Subeih & Partners) W.L.L. and Sons of Yousef Al-Subeih Real Estate Company W.L.L. (together referred to as the "Target Business") for a total cash consideration of KD 3,250,000. Under the Agreement, the seller provided an undertaking to establish a holding company under which the net assets of the Target Business will be transferred to, and for which the shares will be allocated between the contractual parties proportionately. As at 31 December 2017, an amount of KD 1,625,000 was paid, representing 50% of the total purchase consideration committed by the Group. During current year, the remaining balance of KD 1,6250,000 was fully settled. Further, as part of the Agreement, the Parent Company was required to pay a contingent consideration based on performance of the Target Business over an agreed period. The management of the Parent Company has performed an assessment to estimate such contingent payment and determined that no such payment would be required.

During the year, the Group finalized the Purchase Price Allocation ("PPA") exercise of the Target Business and determined that the fair value of assets and liabilities acquired do not materially differ from their provisionally determined fair values as at the acquisition date. However, management has identified an intangible asset amounting to KD 38,750 and the remaining identified as a goodwill.

[3] During the year, the Parent Company made non-reciprocal capital contributions amounting to KD 2,016,094. The amounts received by the associates was from all shareholders pro-rated to their equity interest in the associates and there is no requirement to repay the amount under any circumstances and any repayment is entirely at the discretion of the associates. As a result, these amounts are treated as equity in the books of the associate and a contribution to investment in an associate in the Parent Company's books.

Impairment assessment of investment in associates
As at 31 December 2018, the fair value of the Group's investment in BDC and Arkan (based on quoted market price in KSE) was KD 3,378,792 and KD 5,963,066 respectively (2017: KD 2,761,298 and KD 5,926,366 respectively).

In respect of Group's investment in associates, the management considered performance outlook and business operations of the CGU to assess whether the recoverable amount of this entity cover its carrying amount, based on the discounted cash flow models ("DCF") using a discount rate that reflects the risk profile or adjusted net assets value ("NAV") with applying appropriate discounts/premiums for control, when appropriate.

Application of DCF
The recoverable amount of the CGU has been estimated based on a value in use calculation, using cash flow projections approved by senior management covering a 5 years period (2017: 3 years period). The discount rate of 10% (2017: 9.5%) is applied to the cash flow projections with projected growth rate of 3% (2017: 3%).

The calculation of value in use for the CGU is sensitive to the following assumptions:
- Revenue forecast
- Discount rate
- Projected growth rate used to extrapolate cash flows beyond the budget period (terminal growth rate)

Application of adjusted NAV
The recoverable amount of the CGU has been estimated based the associate net assets value adjusted to reflect the appropriate fair value of the underlying assets, management has applied 20% control premium to certain investment of associates. The recoverable amount of the CGU is sensitive to the control premium applied.

Sensitivity to changes in assumptions
Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the associate to exceed its recoverable amount. These are summarised below:

9 INVESTMENT IN ASSOCIATES (continued)

Impairment assessment of investment in associates (continued)

- *Revenue forecast:*
  Revenue forecasted is based on the renewal and extension of existing contracts that Burgan Company for Well Drilling currently has in its log books. The rates used in calculating the forecasted revenue are fixed to existing contractual rates.

- *Discount rate:*
  Discount rate is calculated by using the Weighted Average Cost of Capital (WACC). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU. A rise in the discount rate to 10.25% (i.e. +0.25%) would result in a decrease in the carrying value by KD 814,254.

- *Projected growth rate:*
  Assumptions are based on industry research and historical performance of the associate. A reduction in the projected growth rate to 2.75% (i.e. -0.25%) would result in a decrease in the carrying value by KD 651,595.

- *Control premium*
  Assumptions are based on industry research for similar ownership and influence. A reduction in the control premium to 15% (i.e. -5%) would result in a decrease in the carrying value by KD 155,298.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

Reconciliation to carrying amounts:

	2018 ***KD***	*2017* *KD*
At 1 January	**49,382,284**	50,859,283
IFRS 9 transition adjustments	**(246,647)**	-
Additional capital contributions	**2,016,094**	3,250,000
Distributions due to liquidation of a subsidiary [1]	**-**	(4,644,606)
Disposals [2]	**(71,318)**	(800,407)
Share of results	**581,540**	1,846,560
Dividends received from associates	**(898,845)**	(749,571)
Foreign exchange adjustments	**80,053**	(312,028)
Share of other comprehensive loss	**(10,977)**	(66,947)
At 31 December	**50,832,184**	49,382,284

[1] The Parent Company has an effective equity interest of 33.21 % in First Energy Resources Company K.S.C.C. ("Subsidiary") (2017: 33.21%). On 15 November 2015, the extraordinary general assembly meeting (EGM) of the shareholders of the Subsidiary approved the liquidation of the Subsidiary. The Subsidiary has an investment in Burgan Company for Well Drilling K.S.C.P. (BDC) which was classified as an investment in associate within the Subsidiary. On 15 February 2017, the liquidation committee of the Subsidiary resolved to distribute the total shares invested in the associate of 19,117,935 shares to the shareholders. As a result, the Subsidiary has distributed 12,768,431 shares with a carrying value of KD 4,644,606 to the remaining shareholders of the Subsidiary. Accordingly, the Group's percentage of ownership in BDC decreased from 20.46% to 14.66% as of 31 December 2018 (14.66% as at 31 December 2017).

[2] During the year ended 31 December 2018, the Parent Company has received the final liquidation proceeds amounting to KD 91,481 in relation to Sahab Al-Khalij Real Estate Company B.S.C.C ("associate"). As a result the Group recognised a gain of KD 157,143 on derecognition of the associate (calculated as the difference between the net liquidation proceeds and the carrying amount of the associate, at which the accumulative exchange differences of KD 136,980 are reclassified to profit or loss).

9 INVESTMENT IN ASSOCIATES (continued)

The reporting dates of certain associates are not more than three months from that of the Group and there were no significant events or transactions between the reporting dates of associates and 31 December 2018. The following table illustrates the summarised financial information of the associates.

	Arkan *KD*	*BDC* *KD*	*FEDCO* *KD*	*Taameer* *KD*	*Others* *KD*	*2018* *KD*	*2017* *KD*
Assets	54,803,266	193,052,156	18,605,604	84,343,559	40,374,471	391,179,056	377,890,941
Liabilities	(19,715,508)	(129,327,497)	(2,542,341)	(47,032,914)	(14,414,627)	(213,032,887)	(205,594,826)
Intangible assets identified on acquisition	-	21,214,797	-	-	81,806	21,296,603	21,214,797
Equity	35,087,758	84,939,456	16,063,263	37,310,645	26,041,650	199,442,772	193,510,912
Percentage ownership interest	28.99%	14.66%	22.19%	37.40%	-	-	-
Group's share in the equity	10,171,941	12,452,124	3,564,438	13,954,181	5,714,056	45,856,740	44,341,960
Goodwill	2,822,560	-	67,751	-	2,085,133	4,975,444	2,897,492
Provisional goodwill	-	-	-	-	-	-	2,142,832
Group's carrying amount of the investment	12,994,501	12,452,124	3,632,189	13,954,181	7,799,189	50,832,184	49,382,284
Revenue	5,059,589	54,353,813	(783,452)	1,236,621	2,989,039	62,855,610	54,004,730
Profit for the year	2,867,136	3,491,955	(605,920)	(1,880,897)	681,276	4,553,550	7,582,065
Other comprehensive income for the year	-	-	(65,064)	-	(150,694)	(215,758)	(185,597)
Total comprehensive income for the year	2,867,136	3,491,955	(670,984)	(1,880,897)	530,582	4,337,792	7,396,468
Dividends received from associates during the year	582,445	-	166,400	-	150,000	898,845	749,571
Group's share of results for the year	831,183	511,921	(134,454)	(703,455)	76,345	581,540	1,846,560
Group's share of other comprehensive income for the year	78,585	(99,428)	820	68,041	21,058	69,076	(378,975)

10 PROPERTIES UNDER DEVELOPMENT

These represent properties under construction located in Saudi Arabia and carried at cost because their fair value cannot be reliably measured. Management, however assess these properties for impairment on an annual basis.

	2018	*2017*
	KD	*KD*
As at 1 January	**2,548,969**	2,653,440
Additions	**-**	405,746
Disposals*	**(1,574,288)**	-
Transfer to investment properties (Note 11)	**-**	(446,460)
Foreign exchange adjustments	**4,935**	(8,956)
Impairment losses	**(66,194)**	(54,801)
As at 31 December	**913,422**	2,548,969

*During the current year, the Group disposed certain properties under development with a carrying value of KD 1,574,288 resulting in a loss on disposal of KD 47,187 recognised in the consolidated statement of profit or loss for the year then ended.

As at 31 December 2018, properties under development with a carrying value of KD Nil (2017: KD 1,534,194) are pledged as a security to fulfil collateral requirements of murabaha payables (Note 12).

11 INVESTMENT PROPERTIES

	2018	*2017*
	KD	*KD*
As at 1 January	**11,198,150**	9,820,419
Capital expenditure on investment properties	**1,044,706**	1,180,953
Transfer from properties under development (Note 10)	**-**	446,460
Valuation gains (losses)	**289,408**	(160,715)
Foreign exchange adjustments	**38,773**	(88,967)
As at 31 December	**12,571,037**	11,198,150

Included within investment properties is a leasehold land granted by the government of Kuwait, carried at KD 3,426,935 (2017: KD 3,441,630). Notwithstanding the contractual term of the lease, management believes, based on market experience, that on expiry of the lease period, the Group will be able to renew the lease for a similar period, without a premium and at nominal rates of ground rent.

As at 31 December 2018, investment properties with a carrying value of KD 8,282,574 (2017: KD 6,859,024) are pledged as a security to fulfil collateral requirements of murabaha payables (Note 12).

The fair value of investment properties as at 31 December 2018 and 31 December 2017 has been arrived at on the basis of a valuation carried out on the respective dates by independent registered valuers not related to the Group, who have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties have increased by KD 289,408 compared to its carrying values as at 31 December 2018 (2017: decrease of KD 160,715).

The hierarchy for determining and disclosing the fair value of investment properties by valuation techniques, reconciliation of level 3 fair values and sensitivity analysis are presented in Note 21.

12 MURABAHA PAYABLES

	2018 *KD*	*2017* *KD*
Gross amount	**5,169,579**	4,044,681
Less: deferred finance costs	**(1,346,552)**	(1,017,209)
	3,823,027	3,027,472

Changes in liabilities arising from financing activities

	As at 1 January KD	*Cash inflows KD*	*Cash outflows KD*	*Foreign exchange movement KD*	*As at 31 December KD*
2018	**3,027,472**	**1,101,602**	**(318,560)**	**12,513**	**3,823,027**
2017	2,268,062	991,311	(205,728)	(26,173)	3,027,472

As at 31 December 2018, murabaha payables amounting to KD 3,014,317 (2017: KD 2,436,063) carry a profit rate of 6.5% (2017: 6.5%) per annum. which are denominated in Omani Riyals (OMR).

Murabaha payables of KD 3,823,027 (2017: KD 3,027,472) are secured against the following:

- Murabaha deposits with a carrying value of KD 1,300,000 (2017: KD 1,300,000) (Note 6).
- Properties under development with a carrying value of KD Nil (2017: KD 1,534,194) (Note 10).
- Investment properties with a carrying value of KD 8,282,574 (2017: KD 6,859,024) (Note 11).

Banking covenants vary according to each loan agreement, but typically require that the loan-to-value ratio does not exceed 50%. A future breach of covenant may require the Group to repay the loan on demand.

During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

Maturity analysis is disclosed in Note 19.

13 OTHER LIABILITIES

	2018 *KD*	*2017* *KD*
Payable to the shareholders of a subsidiary under liquidation (Note 6)	**312,255**	391,061
Accrued expenses	**369,870**	355,856
Acquisition of investment in associate (Note 9)	-	1,625,000
Other payables [1]	**2,648,412**	2,645,337
	3,330,537	5,017,254

[1] During the year, one of the Group's subsidiaries in the Kingdom of Saudi Arabia ("KSA") received the final zakat tax assessment from the General Authority of Zakat and Tax ("GAZT") in KSA with respect to a tax appeal filed by the subsidiary for the fiscal periods from 2013 to 2017 (2017: 2007 to 2012). Accordingly, excess provision for the zakat liability amounting to KD 523,996 (2017: KD 500,000) has been reversed in the consolidated statement of profit or loss in the current year.

14 SHARE CAPITAL, SHARE PREMIUM, DIVIDENDS AND TREASURY SHARES

(a) Share capital and share premium

	Number of shares		*Authorised, issued and fully paid*	
	2018	*2017*	***2018***	*2017*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**651,070,551**	651,070,551	**65,107,055**	65,107,055

Share premium is not available for distribution.

(b) Distributions made and proposed

The Parent Company's Board of Directors in their meeting held on 27 March 2019 (2017: 19 March 2018), has neither proposed cash dividends nor bonus shares issue for the year ended 31 December 2018 (2017: Nil). This proposal is subject to approval by the shareholders at the AGM (2017: This proposal has been approved by the shareholders at the AGM held on 24 April 2018).

(c) Treasury shares

	2018	*2017*
Number of treasury shares	**1,627,929**	1,627,929
Treasury shares as a percentage of share capital	**0.25%**	0.25%
Cost of treasury shares (KD)	**108,816**	108,816
Market value of treasury shares (KD)	**62,187**	63,489

Gains and losses arising from the sale of treasury shares are recognised in a separate reserve within equity "treasury shares reserve". This reserve shall be deemed un-distributable during the period of holding treasury shares.

An amount of KD 108,816 (2017: KD 108,816) equivalent to the cost of purchase of the treasury shares have been earmarked as non-distributable from statutory reserve and share premium throughout the holding period of treasury shares as per CMA requirements.

15 RESERVES

(a) Statutory reserve
In accordance with the Companies' Law, and the Parent Company's Articles of Association, a minimum of 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's Board of Directors. The AGM of the shareholders of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. The Group has transferred KD 23,950 (2017: KD 75,025) during the year.

(b) Fair value reserve
Changes in the fair value and exchange differences arising on translation of investments that are classified as financial assets at fair value through other comprehensive income (e.g. equities), are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are not reclassified to the consolidated statement of profit or loss when the associated assets are sold or impaired.

c) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statement of profit or loss when the net investment is disposed of.

d) Share option reserve
The share option reserve is used to recognise:
- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

16 RELATED PARTY DISCLOSURES

Related parties represent associated companies, managed funds, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and are subject to the approval of the shareholders at the annual general assembly meeting.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

	2018		*2017*	
	Managed fund	***Total***	*Managed fund*	*Total*
	KD	***KD***	*KD*	*KD*
Consolidated statement of profit or loss				
Management fees	**5,050**	**5,050**	7,972	7,972
Consolidated statement of financial position				
Accrued management fees	**23,045**	**23,045**	17,913	17,913

Key management personnel compensation

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

	2018	*2017*
	KD	*KD*
Salaries and other short term benefits	**95,960**	241,125
Other benefits	**24,000**	48,000
End of service benefits	**17,168**	88,574
	137,128	377,699

The Board of Directors of the Parent Company proposed a directors' remuneration of KD Nil for the year ended 31 December 2018 (2017: KD Nil approved at AGM held on 24 April 2018). This proposal is subject to the approval of the shareholders at the annual general assembly meeting of the Parent Company.

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 561,875 (2017: KD 1,665,179) which are not reflected in the Group's consolidated statement of financial position.

17 SEGMENT INFORMATION

Management monitors the operating results of its geographical segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. For management purposes, the Group is organised into four major business segments:

- Real estate
- Financial
- Services
- Others

The Group does not have any inter-segment transactions.

The table below presents income, expense and results for the Group's operating segments for the year ended 31 December 2018 and 2017, respectively:

	Real estate		Financial		Services		Others		Total	
Year ended 31 December	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*	***2018 KD***	*2017 KD*
Income	**2,170,385**	3,028,347	**172,807**	17,362	**1,095,052**	1,176,119	**127,597**	77,585	**3,565,841**	4,299,413
Expenses	**(1,824,263)**	(1,960,227)	**(138,135)**	(147,444)	**(1,413,265)**	(1,479,591)	**(134,168)**	(216,457)	**(3,509,831)**	(3,803,719)
Results – profit (loss) before tax and directors' remuneration	**346,122**	1,068,120	**34,672**	(130,082)	**(318,213)**	(303,472)	**(6,571)**	(138,872)	**56,010**	495,694

The table below presents assets and liabilities for the Group's operating segments as at 31 December 2018 and 2017, respectively:

At 31 December	Real estate 2018	Real estate 2017	Financial 2018	Financial 2017	Services 2018	Services 2017	Others 2018	Others 2017	Total 2018	Total 2017
Segment assets	**50,754,393**	48,610,568	**3,702,955**	6,311,143	**43,822,029**	49,482,399	**5,631,681**	6,477,823	**103,911,058**	110,881,933
Segment liabilities	**(5,109,284)**	(4,816,863)	**(10,223)**	(12,212)	**(1,629,897)**	(2,999,170)	**(1,291,755)**	(1,045,533)	**(8,041,159)**	(8,873,778)
Other disclosures:										
Investment in associates (Note 9)	**31,957,157**	29,830,675	-	-	**18,875,027**	19,551,609	-	-	**50,832,184**	49,382,284
Provision for impairment of other receivables (Note 8)	**(87,625)**	(128,419)	-	-	-	-	-	-	**(87,625)**	(128,419)
Impairment loss on available-for-sale financial assets (Note 7)	-	-	-	(22,393)	-	-	-	-	-	(22,393)

17 SEGMENT INFORMATION (continued)

Geographic information

	2018 *KD*	*2017* *KD*
Income		
Kuwait	**2,699,944**	2,971,121
Kingdom of Saudi Arabia	**572,176**	481,778
Oman	**99,476**	783,690
Others	**194,245**	62,824
	3,565,841	4,299,413
Results – profit (loss) for the year before tax and directors' remuneration		
Kuwait	**201,772**	199,083
Kingdom of Saudi Arabia	**(67,639)**	(308,428)
Oman	**(272,368)**	543,194
Others	**194,245**	61,845
	56,010	495,694
Segment assets		
Kuwait	**51,737,740**	53,637,508
Kingdom of Saudi Arabia	**28,183,762**	33,013,050
Oman	**22,313,423**	21,753,510
Others	**1,676,133**	2,477,865
	103,911,058	110,881,933
Segment liabilities		
Kuwait	**(2,940,664)**	(4,098,054)
Kingdom of Saudi Arabia	**(1,601,506)**	(2,032,008)
Oman	**(3,498,989)**	(2,743,716)
	(8,041,159)	(8,873,778)

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group's principal financial liabilities comprise non-derivative financial instruments such as murabaha payables and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets comprise financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, other assets and cash and cash equivalents, which derive directly from its operations.

The Group is exposed to credit risk, liquidity risk and market risk (including foreign currency risk, profit rate risk and equity price risk). The Group's senior management oversees the management of these risks. The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. The Board of Directors review and agree policies for managing each of these risks, which are summarised below:

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily other receivables) and from its financing activities, including deposits with banks and financial institutions.

The Group has policies and procedures in place to limit the amount of credit exposure to any counterparty and establishing a maximum payment period for individual and corporate customers respectively. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Outstanding receivables are regularly monitored by management. The Group's bank balances are held with financial institutions with appropriate credit ratings.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets presented in the consolidated statement of financial position.

	2018 KD	*2017 KD*
Cash and cash equivalent (excluding cash on hand)	**5,967,208**	7,212,654
Other assets (excluding prepayments)	**1,882,602**	1,337,183
	7,849,810	8,549,837

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

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

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

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

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

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over 1 year KD*	*Total KD*
2018					
Liabilities					
Murabaha payables	**236,344**	**622,460**	**489,757**	**3,821,018**	**5,169,579**
Other liabilities	**449,553**	**596,865**	**1,021,724**	**1,262,395**	**3,330,537**
	685,897	**1,219,325**	**1,511,481**	**5,083,413**	**8,500,116**

	Within 3 months KD	*3 to 6 months KD*	*6 to 12 months KD*	*Over 1 year KD*	*Total KD*
2017					
Liabilities					
Murabaha payables	273,945	170,967	687,600	2,912,169	4,044,681
Other liabilities	2,241,557	365,232	810,676	1,599,789	5,017,254
	2,515,502	536,199	1,498,276	4,511,958	9,061,935

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: profit rate risk, foreign currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include murabaha payables, deposits, and equity investments

Profit rate risk

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

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the investment department of the Parent Company on the basis of limits determined by the Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

18 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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

	2018 Equivalent in KD	*2017 Equivalent in KD*
Saudi Riyal	**25,066,740**	29,468,124
Omani Riyal	**10,559,819**	10,629,391
Others	**2,405,268**	3,565,833
	38,031,827	43,663,348

The following table demonstrates the sensitivity of the Group's profit (due to changes in the fair value of financial assets and liabilities) and other comprehensive income to a 5% possible change in the exchange rates, with all other variables held constant.

	2018			*2017*		
Currency	***Change in currency rate in %***	***Effect on consolidated statement of profit or loss KD***	***Effect on other comprehensive income KD***	*Change in currency rate in %*	*Effect on consolidated statement of profit or loss KD*	*Effect on other comprehensive income KD*
Saudi Riyal	**±5**	**4,195**	**1,249,141**	±5	22,767	1,450,639
Omani Riyal	**±5**	**1,419**	**526,572**	±5	673	530,797
Others	**±5**	**52,395**	**67,869**	±5	54,495	123,797

Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL). The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions. The Group manages this risk though diversification of investments in terms of geographical distribution and industry concentration.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 25,598,499. Sensitivity analysis of these investments have been provided in Note 21.

The table below summarises the impact of increases/decreases of the respective price indices in the relevant market on the Group's equity and profit for the period. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	2018			*2017*		
Market indices	***Change in equity price %***	***Effect on consolidated statement of profit or loss KD***	***Effect on other comprehensive income KD***	*Change in equity price %*	*Effect on consolidated statement of profit or loss KD*	*Effect on other comprehensive income KD*
Boursa Kuwait	**±5**	**-**	**549**	±5	26,482	9,303
United Arab Emirates	**±5**	**-**	**-**	±5	-	18,538
Kingdom of Saudi Arabia	**±5**	**3,127**	**-**	±5	12,157	-

19 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within twelve months, regardless of the contractual maturities.

	Within one year					
2018	***Within 3 months KD***	***3 to 6 months KD***	***6 to 12 months KD***	***Sub-Total KD***	***Over 1 year KD***	***Total KD***
ASSETS						
Cash and cash equivalents	**5,978,922**	-	-	**5,978,922**	-	**5,978,922**
Financial assets at fair value through profit or loss	**65,139**	-	**65,365**	**130,504**	-	**130,504**
Other assets	**667,773**	**441,752**	**839,318**	**1,948,843**	**19,031**	**1,967,874**
Inventories	**255,073**	**255,073**	**255,075**	**765,221**	-	**765,221**
Financial assets at fair value through other comprehensive income	-	-	-	-	**26,428,957**	**26,428,957**
Investment in associates	-	-	-	-	**50,832,184**	**50,832,184**
Properties under development	-	-	-	-	**913,422**	**913,422**
Investment properties	-	-	-	-	**12,571,037**	**12,571,037**
Property and equipment	-	-	-	-	**2,622,318**	**2,622,318**
Goodwill and other intangible assets	-	-	-	-	**1,700,619**	**1,700,619**
TOTAL ASSETS	**6,966,907**	**696,825**	**1,159,758**	**8,823,490**	**95,087,568**	**103,911,058**
LIABILITIES						
Murabaha payables	**144,348**	**572,730**	**388,897**	**1,105,975**	**2,717,052**	**3,823,027**
Other liabilities	**449,553**	**596,865**	**1,021,724**	**2,068,142**	**1,262,395**	**3,330,537**
End of service benefits	-	-	-	-	**887,595**	**887,595**
TOTAL LIABILITIES	**593,901**	**1,169,595**	**1,410,621**	**3,174,117**	**4,867,042**	**8,041,159**
NET GAP	**6,373,006**	**(472,770)**	**(250,863)**	**5,649,373**	**90,220,526**	**95,869,899**

	Within one year					
2017	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*Sub-Total KD*	*Over 1 year KD*	*Total KD*
ASSETS						
Cash and cash equivalents	7,215,102	-	-	7,215,102	-	7,215,102
Financial assets at fair value through profit or loss	830,171	-	319,271	1,149,442	-	1,149,442
Other assets	791,545	266,017	534,862	1,592,424	20,000	1,612,424
Inventories	239,260	239,260	478,518	957,038	-	957,038
Available-for-sale financial assets	-	-	-	-	32,327,431	32,327,431
Investment in associates	71,318	-	-	71,318	49,310,966	49,382,284
Properties under development	-	-	-	-	2,548,969	2,548,969
Investment properties	-	-	-	-	11,198,150	11,198,150
Property and equipment	-	-	-	-	2,730,703	2,730,703
Goodwill and other intangible assets	-	-	-	-	1,760,390	1,760,390
TOTAL ASSETS	9,147,396	505,277	1,332,651	10,985,324	99,896,609	110,881,933
LIABILITIES						
Murabaha payables	202,664	126,701	593,354	922,719	2,104,753	3,027,472
Other liabilities	2,241,557	365,232	810,676	3,417,465	1,599,789	5,017,254
End of service benefits	-	-	-	-	829,052	829,052
TOTAL LIABILITIES	2,444,221	491,933	1,404,030	4,340,184	4,533,594	8,873,778
NET GAP	6,703,175	13,344	(71,379)	6,645,140	95,363,015	102,008,155

20 FIDUCIARY ASSETS

Fiduciary assets comprise of portfolios managed by the Parent Company on behalf of clients. The Group also manages investment portfolio on behalf of Kuwait Investment Authority ('KIA'). The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements. As at the reporting date, total fiduciary assets managed by the Group amounted to KD 105,129,865 (2017: KD 117,971,300). The total income earned from fiduciary assets for the year ended 31 December 2018 amounted to KD 270,863 (2017: KD 431,067).

21 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as investment properties and unquoted equity investments.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted equity investments. Involvement of external valuers is decided upon annually by the senior management Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The Group measures financial instruments such as investment in equity securities and managed funds, and non-financial assets such as investment properties, at fair value at each reporting date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed below.

21 FAIR VALUE MEASUREMENT (continued)

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

Financial instruments	***2018*** ***KD***	*2017* *KD*
Investment securities (at fair value)		
Quoted equity securities	**895,597**	2,214,423
Unquoted equity securities	**25,598,499**	29,409,490
Unquoted funds	**65,365**	109,650
	26,559,461	31,733,563
Non-financial assets		
Investment properties	**12,571,037**	11,198,150

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and cash equivalents
- Other assets
- Murabaha payables
- Other liabilities

Valuation methods and assumptions
The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities
Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments
The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the market value of the comparable company by its book value. The market value of a company is its share price multiplied by the number of outstanding shares. The book value is the net assets of a company. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. If management determines that market-based valuation technique deems unreflective and a significant underlying value of the investee is within its assets, management alternatively uses adjusted net assets value ("NAV"). The discounted multiple is applied to the corresponding capital measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Unlisted funds
The Group invests in managed funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these investee funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the investee fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the investee fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the investee fund, the Group classifies these funds as either Level 2 or Level 3.

21 FAIR VALUE MEASUREMENT (continued)

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

21.1 Financial instruments

Fair value hierarchy
The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) KD	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***	***Total KD***
31 December 2018				
Financial assets at fair value through profit or loss:				
- Quoted equity securities	**65,139**	-	-	**65,139**
- Unquoted funds	-	**65,365**	-	**65,365**
	65,139	**65,365**	-	**130,504**
Financial assets at fair value through other comprehensive income:				
- Quoted equity securities	**830,458**	-	-	**830,458**
- Unquoted equity securities	-	-	**25,598,499**	**25,598,499**
	830,458	-	**25,598,499**	**26,428,957**
Investment securities (at fair value)	**895,597**	**65,365**	**25,598,499**	**26,559,461**
31 December 2017				
Financial assets at fair value through profit or loss:				
- Quoted equity securities	830,171	-	-	830,171
- Unquoted equity securities	-	-	242,702	242,702
- Unquoted funds	-	76,569	-	76,569
	830,171	76,569	242,702	1,149,442
Available-for-sale financial assets:				
- Quoted equity securities	1,384,252	-	-	1,384,252
- Unquoted equity securities	-	-	29,166,788	29,166,788
- Unquoted funds	-	33,081	-	33,081
	1,384,252	33,081	29,166,788	30,584,121
Investment securities (at fair value)	2,214,423	109,650	29,409,490	31,733,563

21 FAIR VALUE MEASUREMENT (continued)

21.1 Financial instruments (continued)

As at 31 December 2017, certain equity securities amounting to KD 1,743,310 were accounted at cost less impairment (in accordance with IAS 39). As at the date of initial application of IFRS 9, the Group measured the underlying investments at fair value. As a result, the fair value measurement of these securities was categorised within level 3 of the fair value hierarchy for the first time.

Reconciliation of Level 3 fair values

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

2018	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*	*Total KD*
As at 1 January 2018	29,166,788	242,702	29,409,490
IFRS 9 transition adjustment (Note 2.2)	15,505	(242,702)	(227,197)
Remeasurement recognised in OCI	(5,569,805)	-	(5,569,805)
Remeasurement recognised in profit or loss	-	-	-
Purchases / (sales), net	1,986,011	-	1,986,011
As at 31 December 2018	**25,598,499**	**-**	**25,598,499**

2017	*Available-for-sale financial assets KD*	*Financial assets at fair value through profit or loss KD*	*Total KD*
As at 1 January 2017	2,528,657	229,510	2,758,167
Total gains recognised in profit or loss	-	13,192	13,192
Total gains recognised in OCI	1,028,803	-	1,028,803
Purchases / (sales), net	25,609,328	-	25,609,328
As at 31 December 2017	29,166,788	242,702	29,409,490

Description of significant unobservable inputs to valuation

	Valuation techniques	*Significant unobservable inputs*	*Range*	*Sensitivity of the input to fair value*
Unquoted equity securities	Market approach	DLOM *	20%	Increase (decrease) in the discount would decrease (increase) the fair value.
	Adjusted NAV	DLOM *	0% - 50%	

Discount for lack of marketability (DLOM) represents the amounts that the Group has determined that market participants would take into account when pricing the investments. A 5% increase in the discount would decrease the fair value by KD 1,285,310 (2017: KD 388,351).

The management has used the following methods and assumptions to estimate the fair values of financial assets:

- Quoted equity securities have been fair valued based on their latest price quotations on the respective stock exchange at the reporting date.
- Fair values of unquoted equity securities are derived through a market approach which utilizes price multiples of comparable quoted companies and adjusted NAV. A lack of marketability discount is applied on the fair values derived through this approach.
- Fair values of unquoted funds are measured based on their latest net asset values provided by the respective fund manager.

21 FAIR VALUE MEASUREMENT (continued)

21.2 Non-financial assets

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

		Fair value measurement using		
	Total *KD*	*Quoted prices in active markets (Level 1)* *KD*	*Significant observable inputs (Level 2)* *KD*	*Significant unobservable inputs (Level 3)* *KD*
31 December 2018				
Investment properties	**12,571,037**	-	-	**12,571,037**
31 December 2017				
Investment properties	11,198,150	-	-	11,198,150

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

Reconciliation of Level 3 fair values

Reconciliation for recurring fair value measurement of investment properties including gains and losses are categorised within Level 3 of the fair value hierarchy.

Description of valuation techniques and significant unobservable inputs:

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged an independent valuation specialist to assess fair value as at the reporting date for investment properties. The key assumptions used to determine the fair value of the investment properties and sensitivity analysis are further discussed below.

Valuation technique	*Fair value*		*Significant unobservable inputs*	*Range*	
	2018 *KD*	*2017* *KD*		*2018*	*2017*
Income capitalisation approach	**11,709,509**	10,300,654	▪ Average rent (per sqm)	**KD 1 – KD 8.7**	KD 2 – KD 9.5
			▪ Yield rate	**10.7% - 11.8%**	8.6% - 11.7%
Market comparison approach	**861,528**	897,496	▪ Price (per sqm)	**KD 66 – KD 94**	KD 94 – KD 143

Sensitivity analysis

Significant increase (decrease) in average rent per sqm, yield rate and price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

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

	Changes in valuation assumptions	*Impact on profit for the year*	
		2018 *KD*	*2017* *KD*
Average rent	+/- 5%	**585,475**	515,033
Yield rate	+/- 50 bp	**533,673**	538,525
Price per sqm	+/- 5%	**43,076**	44,875

22 COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as a lessee
Future minimum rentals payable under operating leases as at 31 December are, as follows:

	2018 *KD*	*2017* *KD*
Operating lease rentals due within one year	**151,950**	151,950
Operating lease rentals from one to five years	**88,638**	240,588
	240,588	392,538

Contingencies

a) At 31 December 2018, the Group had provided bank guarantees amounting to KD 623,838 (2017: KD 828,039) for which the management anticipates that no material liabilities will arise.

b) During the year, one of the subsidiaries of the Group received a notification from the General Authority of Zakat and Tax ("GAZT") in KSA to settle a tax obligation for the fiscal period from 2008 to 2014 amounting to SAR 7,997,618 (equivalent to KD 647,711) out of which the Parent Company's share approximates SAR 7,741,199 (equivalent to KD 626,944). The management of the subsidiary believes that the zakat dues notified by GAZT do not reflect the correct application of tax laws in KSA and accordingly, has appointed a tax consultant in KSA to review the tax claim and file an appeal with GAZT. The appeal was filed by the tax consultant on 24 January 2019.

   The management of the Parent Company, has estimated and recorded a potential tax liability in the consolidated statement of financial position as at 31 December 2018 of KD 190,010 (Note 13) which management believes to be the best estimate of the appeal outcome. However, as at the authorization date of these consolidated financial statements there is a significant uncertainty as to the outcome of the tax claim.

c) On 13 November 2018, the Court of Cassation rejected an appeal request filed by Kuwait Awqaf Public Foundation ("Awqaf") against a verdict that was issued by the Court of Appeal in favour of the Parent Company. Accordingly, the verdict issued by the Court of Appeal became final and non-appealable which obliges Aqwaf to compensate the Parent Company for approximately an amount of KD 1,761,322. However, the contingent asset has not been recognised as a receivable at 31 December 2018 as receipt of the amount is dependent on Awqaf executing the court order..

23 LEGAL CASES

a) During the year ended 31 December 2006, the Parent Company has signed a contract with the Public Authority for Housing Welfare ("the Authority") to provide consultancy services for the construction of Al Khiran project for a period of two years. Accordingly, the Parent Company has provided bank guarantees for an amount of KD 596,868. Both parties have mutually agreed to end the contract during the year ended 31 December 2013.

   During the year ended 31 December 2015, the Parent Company has filed a legal case under No. 3884/2015 claiming a compensation against the services rendered to the Authority. On 13 March 2016, the case has been transferred to the Administrative Circuit of the court under No. 1508/2016.

   On 8 January 2017, the Administrative Circuit at the court issued a ruling to transfer the case to the Department of Expert at the Ministry of Justice to verify the elements of the claim and issue an expert report. The session has been postponed to 7 April 2019 awaiting experts' report.

   In 2016, the Authority liquidated part of the bank guarantee amounting to KD 347,098. As a result of this event, the Parent Company has made a provision of KD 347,098 included in the profit or loss during the year then ended.

   The Parent Company filed a lawsuit under No. 6595/2017 Administrative/3 to suspend the liquidation of the bank guarantees. The case was then referred to the Administrative Circuit at the court. The court issued a ruling to transfer the case to the Department of Expert where the court hearing is postponed to the session scheduled on 25 April 2019 awaiting experts' report.

23 LEGAL CASES (continued)

The Group has been advised by its legal counsel that it is very unlikely that the final outcome of the case will have a significant effect on the Group's consolidated financial statements. Accordingly, no additional provisions for the liability has been made during the year.

b) During the years ended 31 December 2006 and 31 December 2007, the Parent Company has entered into agreements to purchase 14,500,000 shares of Al Muttahed for Investment and Real Estate Development Company S.S.C.C (the investee company) from existing shareholders (the sellers). During that period, the purchase consideration for 10,500,000 shares, was paid by the Parent Company in full.

During the year ended 31 December 2007, the Parent Company noted that the sellers have not fulfilled their commitment of transferring certain assets to the investee company as part of their share of increase in the capital of the investee company. Accordingly, the Parent Company withheld the payment for the remaining consideration related to 4,000,000 shares and filed a lawsuit against the sellers claiming for a temporary compensation. On the other hand, the sellers filed a counterclaim against the Parent Company demanding payment for the remaining consideration. However, the counterclaim was rejected by the Court of First Instance, Court of Appeal and the Court of Cassation on 11 April 2016.

Despite the decision from the Court of Cassation, the sellers filed another lawsuit against the Parent Company demanding the payment of KD 13,814,991 related to the remaining purchase consideration.

On 17 January 2017, the Court of First Instance has ruled in favour of the Parent Company rejecting the claim filed by the sellers based on the earlier verdict that was adjudicated by the Court of Cassation on 11 April 2016. The sellers further appealed against the ruling of the Court of First Instance and a verdict was issued on 21 September 2017, accepting the appeal and cancelling the earlier verdict issued by the Court of First Instance and referring the case to the Money Markets Circle.

On 9 January 2018, a verdict was issued rejecting the claim filed by the sellers based on earlier verdicts. The sellers appealed the verdict. The claim was circulated before the court of appeal and it is currently postponed for the hearing scheduled on 28 March 2019.

Based on the advice from the Group's legal counsel, the amount claimed by the sellers is unrealistic and has no merit. In addition, the sellers are not entitled to any compensation due to the judicial ruling of the previous legal case that was adjudicated by the Court of Cassation. Accordingly, no provision for any liability has been made in the consolidated financial statements.

c) The Parent Company is the defendant in legal proceedings brought by several portfolio clients ("clients") in respect of certain investment transactions executed in a fiduciary capacity by the Parent Company in prior years. The legal actions commenced by the clients against the Parent Company are in various phases of litigation and no final court rulings have been issued by the Court of Cessation as of date and therefore, an uncertainty exists relating to the outcome of these claims.

During the current year, the Court of Appeal has ruled in favor of certain clients. Accordingly, the Group made a provision of KD 110 thousand in the consolidated financial statements representing management's best estimate of the Group's liability relating to the claims for which appeal verdicts have been issued, after obtaining an independent legal advice of its legal counsel.

24 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, less cash and cash equivalents for the purpose of the Group's capital management. Capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the Parent Company.

25 SUBSEQUENT EVENT

On 17 February 2019, the Parent Company through a consortium comprised of local investment companies and an international operator won the bid to acquire 44% equity stake in Boursa Kuwait Securities Company ("Boursa Kuwait") for 237 fils per share and a total amount of KD 19.9 million of which the Parent Company's share is 14%.

On 19 and 27 February 2019, the Parent Company signed two credit facility agreements with a certain local bank amounting to KD 3,265 million each to acquire a stake in Boursa Kuwait.