A'amal Holding Company K.S.C. (Closed)
and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
Revenue			
Hospitality revenue		**1,457,524**	1,688,961
Food and beverages revenue		**15,167,302**	13,906,760
		16,624,826	15,595,721
Cost of revenue	5	**(12,571,317)**	(11,261,642)
Gross profit		**4,053,509**	4,334,079
General and administrative expenses		**(2,921,588)**	(3,246,899)
Selling and marketing expenses		**(453,372)**	(370,505)
Impairment loss on financial assets available for sale		**-**	(74,330)
Gain on sale on financial assets available for sale		**-**	201,451
Other income		**268,996**	525,123
Share of results of associate	8	**(29,503)**	68,432
Unrealised gain from valuation of financial assets at FVTPL		**288,300**	-
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (“KFAS”), ZAKAT, DIRECTORS’ FEES AND ZAKAT FROM FOREIGN OPERATIONS		**1,206,342**	1,437,351
KFAS		**(17,784)**	(15,818)
Zakat		**(18,804)**	(15,660)
Directors’ fees		**(4,500)**	(15,000)
PROFIT FOR THE YEAR		**1,165,254**	1,390,873
Attributable to:			
Equity holders of the Parent Company		**1,151,489**	1,378,470
Non-controlling interests		**13,765**	12,403
		1,165,254	1,390,873

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Note	***2018*** ***KD***	*2017* *KD*
Profit for the year		**1,165,254**	1,390,873
Other comprehensive loss :			
Items that are or may be reclassified to profit or loss in subsequent periods:			
- Net movement in cumulative changes in fair value of financial assets available for sale		**-**	91,140
- Realised gain on sale of financial assets available for sale transferred to profit or loss		**-**	(201,451)
- Impairment loss of financial assets available for sale transferred to profit or loss		**-**	74,330
- Exchange differences arising on translation of foreign operations		**(435)**	4,541
Other comprehensive loss for the year		**(435)**	(31,440)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,164,819**	1,359,433
Attributable to:			
Equity holders of the Parent Company		**1,151,054**	1,347,030
Non-controlling interests		**13,765**	12,403
		1,164,819	1,359,433

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	***2018 KD***	*2017 KD*
Assets			
Non-current assets			
Property and equipment	6	**3,935,867**	4,388,511
Intangible assets	7	**111,317**	149,290
Investment in associate	8	**239,094**	281,992
Financial assets available for sale	9	-	1,728,000
		4,286,278	6,547,793
Current assets			
Financial assets at fair value through profit or loss	9	**2,016,301**	-
Inventories	10	**580,685**	413,468
Trade receivables and prepayments	11	**2,677,445**	2,744,085
Term deposits		**1,530,000**	30,000
Bank balances and cash	12	**2,032,742**	3,408,697
		8,837,173	6,596,250
TOTAL ASSETS		**13,123,451**	13,144,043
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**7,000,000**	7,000,000
Share premium		**57,500**	57,500
Statutory reserve	14	**812,569**	691,935
Voluntary reserve	15	**-**	462,711
Retained earnings		**986,524**	589,327
Cummulative changes in fair value reserve		**-**	(9,733)
Foreign currency translation reserve		**8,947**	9,382
Share-based payment reserve		**9,857**	19,110
Equity attributable to equity holders of the Parent Company		**8,875,397**	8,820,232
Non-controlling interests		**14,910**	12,439
Total equity		**8,890,307**	8,832,671
Liabilities			
Non-current liabilities			
Employee's end of service benefits	16	**1,862,721**	2,100,507
Current liabilities			
Trade payables and accruals	17	**2,370,423**	2,210,865
Total liabilities		**4,233,144**	4,311,372
TOTAL EQUITY AND LIABILITIES		**13,123,451**	13,144,043

Ahmed Saleh Al-Abdli
Chairman

The attached notes 1 to 23 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to the equity holders of the Parent Company										
	Share Capital	*Share premium*	*Statutory reserve*	*Voluntary reserve*	*Retained earnings*	*Cumulative changes in fair value*	*Foreign currency translation reserve*	*Share-based payment reserve*	*Subtotal*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 January 2018	7,000,000	57,500	691,935	462,711	589,327	(9,733)	9,382	19,110	8,820,232	12,439	8,832,671
Transition adjustment on adoption of IFRS 9 (Note 2.3)	-	-	-	-	(46,369)	9,733	-	-	(36,636)	(170)	(36,806)
Adjusted balance at 1 January 2018	7,000,000	57,500	691,935	462,711	542,958	-	9,382	19,110	8,783,596	12,269	8,795,865
Profit for the year					1,151,489				1,151,489	13,935	1,165,424
Other comprehensive loss for the year	-	-	-	-	-	-	(435)	-	(435)	-	(435)
Total comprehensive income (loss)	-	-	-	-	1,151,489	-	(435)	-	1,151,054	13,935	1,164,989
Dividends (Note 13)	-	-	-	-	(1,050,000)	-	-	-	(1,050,000)	-	(1,050,000)
Dividends to non-controlling Interest	-	-	-	-	-	-	-	-	-	(11,294)	(11,294)
Share based payment (Note 23)	-	-	-	-				(9,253)	(9,253)		(9,253)
Transfer to (from) reserves	-	-	120,634	(462,711)	342,077	-	-	-	-	-	-
As at 31 December 2018	**7,000,000**	**57,500**	**812,569**	**-**	**986,524**	**-**	**8,947**	**9,857**	**8,875,397**	**14,910**	**8,890,307**
As at 1 January 2017	7,000,000	57,500	548,200	462,711	194,592	26,248	4,841	17,753	8,311,845	15,636	8,327,481
Profit for the year	-	-	-	-	1,378,470	-	-	-	1,378,470	12,403	1,390,873
Other comprehensive (loss) income for the year	-	-	-	-	-	(35,981)	4,541	-	(31,440)	-	(31,440)
Total comprehensive income (loss)	-	-	-	-	1,378,470	(35,981)	4,541	-	1,347,030	12,403	1,359,433
Dividends (Note 13)	-	-	-	-	(840,000)	-	-	-	(840,000)	(15,600)	(855,600)
Share based payment (Note 23)	-	-	-	-	-	-	-	1,357	1,357	-	1,357
Transfer to reserves	-	-	143,735	-	(143,735)	-	-	-	-	-	-
As at 31 December 2017	7,000,000	57,500	691,935	462,711	589,327	(9,733)	9,382	19,110	8,820,232	12,439	8,832,671

The attached notes 1 to 23 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 before contribution to KFAS, Zakat, and directors fees	4	**1,206,342**	1,437,351
Adjustments for:			
Depreciation, impairment and amortization	6,7	**985,234**	734,136
Provision for employees' end of service benefits	16	**390,431**	368,827
Allowance for impairment of trade receivables and prepayments	11	**383**	19,211
Share based payment movement		**(9,253)**	-
Share of results from associate	8	**29,503**	(68,432)
Impairment loss on financial assets available for sale		-	74,330
Gain on sale of financial assets available for sale		-	(201,451)
Gain on disposal of property and equipment		-	(7,585)
Unrealised gain from valuation of financial assets FVTPL		**(288,300)**	-
		2,314,340	2,356,387
Changes in operating assets and liabilities			
Inventories		**(167,217)**	(114,981)
Accounts receivable and prepayments		**29,451**	(516,910)
Accounts payable and accruals		**118,470**	(136,571)
Cash from operations		**2,295,044**	1,587,925
Employee's end of service benefits paid	16	**(628,245)**	(127,207)
Net cash flows from operating activities		**1,666,799**	1,460,718
INVESTING ACTIVITIES			
Additions to property and equipment	6	**(514,983)**	(399,345)
Additions to intangible assets	7	**(6,894)**	(103,021)
Proceeds from disposal of property and equipment		**28,393**	23,113
Net movement in financial assets available from sale		**-**	(1,532,511)
Net movement on term deposits		**(1,500,000)**	**-**
Net cash flows used in investing activities		**(1,993,484)**	(2,011,764)
FINANCING ACTIVITY			
Dividends paid		**(1,050,000)**	(840,000)
Cash flows used in financing activity		**(1,050,000)**	(840,000)
Foreign currency translation adjustment		**730**	3,834
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,375,955)**	(1,387,212)
Cash and cash equivalents as at 1 January		**3,408,697**	4,795,909
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	12	**2,032,742**	3,408,697

The attached notes 1 to 23 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of A’amal Holding Company K.S.C. (Closed) (the “Parent Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 December 2017 were authiorised for issue in accordance with a resolution of the Parent Company’s Board of directors on ______. The General Assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.
The Parent Company is a Kuwaiti Shareholding Company incorporated on 22 April 2002. The Parent Company’s registered office is located at Sharq, Kuwait, P.O Box 23194, Safat 13092, State of Kuwait.

The Parent Company’s main activities include:

1. Acquiring shares of Kuwaiti or foreign shareholding companies or shares of Kuwaiti or foreign limited liability companies or participate in their establishment, management, lending and guarantee those companies for others.
2. Lending companies which it owns part of their shares and guarantee those companies for others, and in this case the percentage of ownership of the holding Company should not be less than 20% of the in borrowed Company’s share capital.
3. Owning the industrial ownership rights in the form of patents, industrial trademarks, industrial fees, or any other rights related thereto, and leasing them to other parties for usage either inside or outside Kuwait.
4. Owning the properties, and plant that are necessary to conduct its ordinary business as stipulated by the law.
5. Utilizing the available excess funds by investing them at portfolios which are being managed specialized Companies and entities.

The Company has to perform the above mentioned activities in the State of Kuwait or outside, in principal or through agency

The Company may have an interest or in any way be associated itself with entities practicing activities similar to its own or which may assist the Company in achieving its objectives in Kuwait or abroad, or may acquire these entities or have them affiliated to it.

The Parent Company has to conduct all of the above activities in accordance with Islamic Sharia’a.

The Annual General Assembly of the shareholders of the Company, held on 15 June 2017 approved the consolidated financial statements for the year ended 31 December 2016.

2.1 BASIS OF PREPARATION

Statement of Compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (IASB).

Basis of Preparation
The consolidated financial statements are prepared on a historical cost basis, except for financial assets at fair value through profit or loss that have been measured at fair value.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and the following Subsidiaries :

Name	*Country of incorporation*	***Beneficial ownership % 2018***	*2017*	***Principal activities***	***Financial statements reporting date***
Kayan for Real Estate Development Company K.S.C. (closed)	Kuwait	**99.4%**	99.4%	Hospitality	31 December
Le Royal Group Company W.L.L.	Kuwait	**100%**	100%	Food and beverages	31 December
Taghzia Group Company K.S.C. (closed)	Kuwait	**97.4%**	97.4%	Food and beverages	31 December
Bazza Café Company W.L.L.	Saudi Arabia	**100%**	100%	Food and beverages	31 December
Bazza Café Company W.L.L.	Bahrain	**100%**	100%	Food and beverages	31 December
Dukkan Burger Investment Company W.L.L.	United Arab of Emirates	**100%**	100%	Investment in retail and tourism enterprises	31 December
Dar Services Company W.L.L.	Kuwait	**100%**	100%	Trading	31 December

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interest represents the portion of profit and loss and net assets not held by the Group and are presented separately in the consolidated statement of income, the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position separately from equity attributable to the equity holders of the Parent Company.

Profit or loss and each component of other comprehensive income (“OCI”) are attributed to the shareholders of the Parent Company 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.

2.2 BASIS OF CONSOLIDATION (continued)

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 profit or loss. Any investment retained is recognized at fair value.

Certain shares in the subsidiaries are registered in the name of key management personnel / subsidiaries of the Group. During the year, the Parent Company obtained beneficiary letters from them confirming that they are holding the shares for the benefit of the Parent Company as a nominee.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those used in the previous year except for the changes arising from the adoption of IFRS 9 ‘Financial Instruments’ and IFRS 15 “Revenue from contracts with customers” effective from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers
The Group has adopted IFRS 15: Revenue from Contracts with Customers (“IFRS 15”). IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all 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.

The overall impact assessment in application of IFRS 15 for the Group has been carried out by the management based on comprehensive analysis to evaluate implications on adopting IFRS 15 for the Group.

Adoption of 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 has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

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

IFRS 9 introduces new requirements for a) the classification and measurement of financial assets, b) impairment for financial assets and c) general hedge accounting. Details of these new requirement as well as their impact on the Group’s financial statements are described below. The Group has not entered into any derivative transactions during the year and not have any outstanding derivative as at date of initial application, hence no related disclosure are included below:

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Adoption of IFRS 9 - Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities:

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

- Financial assets such as amounts due from related parties, account receivables, term deposits and bank balances that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;
- 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 accumulated fair value reserve related to these investments will never be reclassified to consolidated statement of income;
- 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.

Financial liabilities previously measured at amortised cost under IAS 39 have been classified and measured under IFRS 9 at amortised cost using the effective interest rate method. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model of IAS 39 with an 'expected credit loss' ('ECL') model. The new impairment model outlines a 'three stage' model ('general approach') for impairment based on the changes in credit quality since the initial recognition. Under the general approach, ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition (i.e. 'good' exposures), an allowance is to be provided for credit losses that result from default events 'that are possible' within the next 12 months (a 12 month ECL – Stage 1 of the model).

For those credit exposures for which there has been significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the default (a lifetime ECL – Stage 2 of the model).

Financial assets are assessed as credit impaired (Stage 3 of the model) when one or more events that have a detrimental impact on the estimated future cash flows of those assets have occurred.

An alternative to the 'general approach' is the 'simplified approach' that can be applied to trade receivables or contract assets that do not contain a significant financing component. The loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime ECL.

The Group has elected to apply the simplified approach. Under the simplified approach, the Group shall apply forward looking provision matrix to calculate the impairment allowance.

For an explanation of how the Group applies the impairment requirements of IFRS 9, refer to the policy under Note 2.5 "Impairment of financial assets".

Hedge accounting:

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group has no existing hedging relationships.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Adoption of IFRS 9 - Financial Instruments (continued)
Impact of initial application of IFRS 9 on equity
The impact of this change in accounting policy relating to classification and measurement of financial assets as at 1 January 2018 has resulted in the decrease in retained earnings by KD 46,369 and increase the fair value reserve by KD 9,733 as given below:

	Retained earnings KD	*Fair value reserve KD*
Closing balance under IAS 39 (31 December 2017)	589,327	(9,733)
Impact on reclassification and remeasurement:		
ECL under IFRS 9 for trade receivable	(36,636)	-
Reclassification of financial assets AFS to FVTPL	(9,733)	9,733
Opening balance under IFRS 9 on date of initial application of 1 January 2018	542,958	-

Classification of financial assets on the date of initial application of IFRS 9
The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group’s financial assets and financial liabilities as at 1 January 2018.

1 January 2018	*Original measurement under IAS 39*	*New measurement under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Re-measurement /ECL / others KD*	*New carrying amount under IFRS 9 KD*
Financial assets:					
Bank balances and cash	*Loans and receivables*	*Amortised cost*	3,438,697	-	3,438,697
Account receivables	*Loans and receivables*	*Amortised cost*	1,596,300	(36,806)	1,559,494
Amount due from related parties	*Loans and receivables*	*Amortised cost*	29,239		29,239
Equity securities	*AFS*	*FVTPL*	1,728,000	-	1,728,000
Total financial assets			6,792,236	(36,806)	6,755,430

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

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Company.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16 Leases
In January 2016, the IASB issued IFRS 16 ‘Leases’ with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 ‘Leases’. Lessees will recognise a ‘right of use’ asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is in the process of evaluating the impact of IFRS 16 on the Group’s financial statements. It is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest 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 the consolidated statement of profit or loss within “general and 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.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent measurement takes place at fair value with changes in fair value to be recognized in 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 profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit 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.

Revenue recognition applied 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 Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls the goods or services before transferring them to the customer.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income
Rental income from operating leases recognised except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Hospitality revenue
Hospitality income is expected to occur at the point in time when rooms are occupied and services have been rendered.

Food and beverages revenue
Food and beverages income represents the invoiced value of services and food provided during the year, it is recognised at the point in time when control is transferred to the customer.

Dividends income
Dividends income is recognised when the right to receive the payment is established.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition accounting policies applied up to 31 December 2017
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 the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and also exposed to credit risk. The specific recognition criteria described below must also be met before revenue is recognised.

Rental income
Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms, and is included in revenue in profit or loss due to its operating nature.

Hospitality revenue
Hospitality income is recognised when rooms are occupied and services have been rendered.

Hospitality and food and beverages revenue
Hotel and food and beverages revenue represent the invoiced value of goods and services provided during the year.

Dividends income
Dividends income is recognised when the right to receive the payment is established, which is generally when shareholders approve the dividends.

Gain on sale of investment securities
Gain on sale of investment securities is recognised when the sale transaction is consummated.

Foreign currency translation
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 in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are included within foreign currency gain or loss in 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 date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group Companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying values of foreign associate investment, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statements of profit or loss are translated at the exchange rates pervaling at the dates of the transactions. Exchange differences arising on translation are taken to other comprehensive income. On disposal of a foreign operaion, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in profit or loss on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company (net of accumulated losses brought forward) after accounting for the transfer to statutory reserve and after deducting its share of results of shareholding subsidiaries and associates and transfer to statutory reserve.

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

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

• Leasehold improvements	5 to 20 years
• Furniture, decoration and equipment	5 to 10 years
• Computers	3 years
• Motor Vehicles	5 to 7 years

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

An item of property 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 profit or loss when the asset is derecognised.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets
Intangible assets represent amounts paid in securing both trademark, money market and software and are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis as follows:

Software	3 years
Trademark	5 years
Key money	5 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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 profit or loss when the asset is derecognised.

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 profit or loss when the asset is derecognised.

Investment in associate
Investment in associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the 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 neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate.

The share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

2.5 SUMMARY OF 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 such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s fair value less costs to sell and its value in use and 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 and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is the asset’s recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot 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 profit or loss. After such reversal, the depreciation charge is adjusted in future years to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are accounted for as follows:

Food and beverages	- purchase cost on a moving average basis.
Consumable supplies	- purchase cost on a moving average basis.

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

Financial instruments accounting policies applied from 1 January 2018
Financial assets and financial liabilities
Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss (FVPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue financial liabilities at fair value through comprehensive income are recognised immediately in the consolidated statement of income.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)
Financial assets and financial liabilities (continued)
Financial assets (continued)
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Classification of financial assets
Financial assets at amortised cost
Financial assets such as accounts receivables, amount due from related parties, term deposit and bank balances that meet the following conditions are subsequently measured at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL except for equity instruments when the Group may make an irrevocable election/designation at initial recognition.

Amortised cost and effective interest method
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments at amortised cost, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments carried at amortised cost, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. Interest income is recognised in consolidated statement of income bases on effective interest method.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of income.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)
Financial assets and financial liabilities (continued)
Financial assets (continued)
Impairment of financial assets (continued)
The Group always recognises lifetime ECL for trade receivables which generally don’t have a significant financing component. Amounts due from related parties that are interest free and receivable on demand, the Group expects no default on such amounts after reviewing and assessing the financial position of these parties. Accordingly, the measurement of amounts due from related parties under IFRS 9 doesn’t have impact on the consolidated statement of income for the Group. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

Credit-impaired financial assets at amortised cost
A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:
- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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

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

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group recognises an impairment loss in consolidated statement of income for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition
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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the consolidated statement of income .

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied from 1 January 2018 (continued)
Financial assets and financial liabilities (continued)
Financial assets (continued)
Derecognition (continued)
If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include account payables and accruals.

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

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

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

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

Financial instruments accounting policies applied up to 31 December 2017
Financial assets
Initial recognition and subsequent measurement
Financial assets are classified at initial recognition as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or financial assets available-for-sale, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs that are attributable to acquisition of financial assets.

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

Subsequent measurement
The Group's financial assets include financial assets available for sale, trade and other receivables, term deposits and bank balances and cash.

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to profit or loss. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied up to 31 December 2017 (continued)
Financial assets (continued)
Subsequent measurement (continued)
Receivables
Receivables are shown at the balance due, net of allowance for doubtful debts. Where the time value of money is material, receivables are carried at amortised cost. An estimate for doubtful debts is made, when collection of full amount is no longer probable. Bad debts are written off when the probability of recovery is assessed as being remote. At the reporting date the Group did not have any financial assets held to maturity at fair value through profit or loss, or as derivatives designated as hedging instruments.

Bank balances and cash
Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

Term Deposits
Fixed deposits in the consolidated statement of financial position comprise term deposit with original maturity of one year or less.

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

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

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

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

Impairment and uncollectibility of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in profit or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, an impairment loss is recognised in profit or loss.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognized. Reversal of impairment losses is recognized in profit or loss to the extent carrying value of the assets does not exceed its amortised cost as on the date of reversal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments accounting policies applied up to 31 December 2017 (continued)
Financial assets (continued)
Impairment and uncollectibility of financial assets (continued)
Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

Financial assets available for sale
For financial assets available for sale, 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 available for sale, 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 – easured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in 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 other comprehensive income.

Financial liabilities
Initial recognition and subsequent measurement
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. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group’s financial liabilities include Accounts payable and accruals.

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

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement
The Group measures financial instruments such as financial assets available for sale at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to 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.
- 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; and
- 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 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further are provided in Note 21.

Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

Provisions
A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be incurred to settle the obligation.

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

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about 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 the future periods.

Estimations and assumptions
The key assumptions concerning the future and key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed 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 that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of financial assets at amortised cost policy – policy applicable from 1 January 2018
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Impairment of trade receivables policy – policy applicable upto 31 December 2017
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.

Impairment of inventories
Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Impairment of property, equipment and intangible assets
A decline in the value of property, equipment and intangible assets could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of property, equipment and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- Significant decline in the market value which would be expected from the passage of time or normal use;
- Significant changes in the technology and regulatory environments; or
- Evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

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

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

Operating lease commitments – Group as a lessor
The Group has entered into commercial property leases. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the fair value of the asset, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Control assessment

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

Classification of financial assets - policy applicable from 1 January 2018

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.

Classification of investments – policy applicable up to 31 December 2017

The management decides on acquisition of financial assets whether they should be classified as financial available for sale or financial assets carried at fair value through profit or loss. In making these judgments, the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance.

4 PROFIT FOR THE YEAR

	2018 KD	*2017 KD*
Staff costs included in:		
Cost of revenue	**5,287,195**	4,843,552
General and administrative expenses	**1,429,605**	1,052,668
	6,716,800	5,896,220
Rent – operating leases included in:		
Cost of revenue	**2,424,302**	2,056,596
General and administrative expenses	**62,924**	38,573
	2,487,226	2,095,169
Depreciation and amortisation recognised in cost of revenue	**793,847**	734,136
Inventories recognized as expense upon sale of goods in cost of revenue	**3,516,771**	3,394,866

5 COST OF REVENUE

	2018 KD	*2017 KD*
Hospitality	**1,484,156**	1,511,457
Food and Beverage	**11,087,161**	9,750,185
	12,571,317	11,261,642

6 PROPERTY AND EQUIPMENT

	Leasehold improvements KD	*Furniture, decoration and equipment KD*	*Computers KD*	*Motor vehicles KD*	*Work in progress KD*	*Total KD*
Cost						
As at 1 January 2018	7,698,934	3,842,934	383,774	95,415	106,036	12,127,093
Additions	175,458	285,309	42,982	3,101	8,133	514,983
Disposal	(54,267)	(2,111)	(1,308)	(12,000)	-	(69,686)
Transfer from work in progress	106,019	-	-	-	(106,019)	-
Foreign currency translation adjustment	940	930	50	-	19	1,939
As at 31 December 2018	**7,927,084**	**4,127,062**	**425,497**	**86,516**	**8,169**	**12,574,328**
Depreciation:						
As at 1 January 2018	4,353,515	2,942,835	346,817	95,415	-	7,738,582
Charge for the year	440,938	232,839	16,913	110	-	690,800
Disposal	(28,804)	(380)	(109)	(12,000)	-	(41,293)
Impairment*	250,000	-	-	-	-	250,000
Foreign currency translation adjustment	112	245	15	-	-	372
As at 31 December 2018	**5,015,761**	**3,175,539**	**363,636**	**83,525**	-	**8,638,461**
Net carrying amount:						
As at 31 December 2018	**2,911,323**	**951,523**	**61,861**	**2,991**	**8,169**	**3,935,867**

*In 2018, the impairment loss of KD 250,000 represent the write-down of a leasehold building as a result of its continuous loss making. This was recognised in the statement of profit or loss under cost of sales.

6 PROPERTY AND EQUIPMENT (conitnued)

	Leasehold improvements KD	*decoration and equipment KD*	*Computers KD*	*Motor vehicles KD*	*Work in Progress KD*	*Total KD*
Cost:						
As at 1 January 2017	7,381,203	3,449,252	351,142	95,415	494,012	11,771,024
Additions	146,838	194,220	30,209	-	28,078	399,345
Disposal	(38,322)	(2,900)	-	-	-	(41,222)
Transfer from work in progress	209,876	203,322	2,430	-	(415,628)	-
Foreign currency translation adjustment	(661)	(960)	(7)	-	(426)	(2,054)
As at 31 December 2017	7,698,934	3,842,934	383,774	95,415	106,036	12,127,093
Depreciation:						
As at 1 January 2017	3,955,026	2,691,388	320,420	95,413	-	7,062,247
Charge for the year	421,829	253,922	26,400	2	-	702,153
Disposal	(23,314)	(2,380)	-	-	-	(25,694)
Foreign currency translation adjustment	(26)	(95)	(3)	-	-	(124)
As at 31 December 2017	4,353,515	2,942,835	346,817	95,415	-	7,738,582
Net carrying amount:						
As at 31 December 2017	3,345,419	900,099	36,957	-	106,036	4,388,511

7 INTANGIBLE ASSETS

	Software *KD*	*Trademark* *KD*	*Key money* *KD*	*Total* *KD*
Cost:				
As at 1 January 2017	350,524	76,176	-	426,700
Additions	12,661	8,064	82,296	103,021
Disposal	(75)	-	-	(75)
Foreign currency translation adjustment	(10)	-	(280)	(290)
As at 31 December 2017	363,100	84,240	82,016	529,356
Additions	6,894	-	-	6,894
Foreign currency translation adjustment	19	-	262	281
As at 31 December 2018	**370,013**	**84,240**	**82,278**	**536,531**
Amortisation:				
As at 1 January 2017	282,385	65,775	-	348,160
Charge for the year	25,892	3,348	2,743	31,983
Disposal	(66)	-	-	(66)
Foreign currency translation adjustment	(2)	-	(9)	(11)
As at 31 December 2017	308,209	69,123	2,734	380,066
Charge for the year	20,329	6,334	17,771	44,434
Foreign currency translation adjustment	257	-	457	714
As at 31 December 2018	**328,795**	**75,457**	**20,962**	**425,214**
Book value:				
As at 31 December 2017	54,891	15,117	79,282	149,290
As at 31 December 2018	**41,218**	**8,783**	**61,316**	**111,317**

8 INVESTMENT IN ASSOCIATE

Investments in an associate represents the Group's 49% equity investment in Qatar-based Company, Arabian Food Catering Company W.L.L. engaged in restaurants business products. The movement in equity-accounted investee is as follows:

	2018 ***KD***	*2017* *KD*
Carrying value at 1 January	**281,992**	217,394
Share of results of associate	**(29,503)**	68,432
Foreign currency translation adjustment	**(13,395)**	(3,834)
Carrying value at end of the year	**239,094**	281,992

8 INVESTMENT IN ASSOCIATE (continued)

Summary of the financial information for investment in associate, not adjusted for the percentage held by the Group, is as follows:

	2018	*2017*
	KD	*KD*
Percentage of ownership interest	**49%**	49%
Assets	**608,848**	714,739
Liabilities	**120,901**	139,245
Net assets (100%)	**487,947**	575,494
Group's share of net assets	**239,094**	281,992
Revenue	**584,316**	1,045,591
Expenses	**(644,526)**	(905,934)
Results for the year	**(60,210)**	139,657
Group's share of results for the year	**(29,503)**	68,432

9 INVESTMENTS IN SECURITIES

	2018	*2017*
	KD	*KD*
Financial assets at fair value through profit or loss (FVTPL)		
Managed quoted portfolio	**2,016,301**	-
Financial assets available for sale (AFS)		
Managed quoted portfolio	-	1,728,000
	2,016,301	1,728,000

Managed quoted portfolio are fair valued and classified under fair value hierarchy level 1.

The effects resulting from adoption of IFRS 9 have been disclosed in Note 2.3. The fair value disclosure and the assumptions is disclosed in Note 21.

10 INVENTORIES

	2018	*2017*
	KD	*KD*
Food and beverages	**579,756**	406,998
Consumable supplies	**929**	6,470
	580,685	413,468

11 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018	*2017*
	KD	*KD*
Trade receivables*	**1,147,049**	1,350,960
Expected credit losses / provision for doubtful debts	**(105,129)**	(67,940)
	1,041,920	1,283,020
Prepaid expenses	**654,897**	646,101
Advances to suppliers	**140,539**	126,784
Refundable deposits	**294,245**	222,655
Bank guarantee	**42,150**	3,650
Amounts due from related parties	**58,468**	29,239
Accrued insurance claim**	**59,356**	119,356
Other receivables	**385,870**	313,280
	2,677,445	2,744,085

* During the year, the management of the Company wrote off, bad trade receivables amounting to KD Nil (2017: KD 54,175).

** During the year, the management of the Company wrote off accrued insurance claim amounting to KD 60,000 (2017: KD 50,000) based on the latest assessment of the recoverable amount of the insurance claim as per latest court verdict.

As at 31 December 2018, trade receivables at nominal value of KD 105,129 (2017: KD 67,940) were impaired and fully provided for.

Movements in the allowance for expected credit losses were as follows:

	2018	*2017*
	KD	*KD*
At 1 January	**67,940**	48,729
Impact on recognition of ECL at 1 January (Note 2.3)	**36,806**	-
	104,746	48,729
Charged during the year	**383**	19,211
At 31 December	**105,129**	67,940

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total KD	*Neither past due nor impaired KD*	*< 30 days KD*	*31 – 60 days KD*	*61 – 90 days KD*	*91 – 120 days KD*	*120 – 360 days KD*	*>360 days KD*
2018	**1,041,920**	**634,195**	**254,786**	**93,104**	**27,565**	**13,301**	**13,472**	**5,498**
2017	1,283,020	755,552	211,128	135,119	40,503	26,101	103,431	11,187

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables.

12 CASH AND CASH EQUIVALENTS

	2018	*2017*
	KD	*KD*
Cash on hand	**587,258**	64,463
Bank balances	**1,445,484**	3,344,234
	2,032,742	3,408,697
Term deposits	**1,530,000**	30,000
Cash and cash equivalents	**3,562,742**	3,438,697
Less: term deposits with original maturities of more than three months	**(1,530,000)**	(30,000)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	**2,032,742**	3,408,697

Cash deposits are held with reputable Islamic local banks. These are denominated in Kuwaiti Dinars, carrying an average profit rate 2.75 % (2017: 1.03%).

13 SHARE CAPITAL AND GENERAL ASSEMBLY MEETING

As at 31 December 2018, the authorised, issued and paid-up share capital consists of 70,000,000 shares (2017: 70,000,000 shares) of 100 fils (2017: 100 fils) each, fully paid in cash.

At the annual general assembly of the shareholders of the Parent Company held on 11 June 2018 the shareholders approved the distribution of cash dividends of 15 fils (2016: 12 fils) per share amounting to KD 1,050,000 for the year ended 31 December 2017 (31 December 2016: KD 840,000) for shareholders registered on that date which was paid subsequently.

For the year ended 31 December 2018, the Board of Directors of the Parent Company has proposed cash dividends of 14 fils per share. The cash dividend, if approved by the shareholders’ general assembly, shall be payable to the shareholders after obtaining the necessary regulatory approvals.

14 STATUTORY RESERVE

In accordance with the Companies’ Law, and the Parent Company’s Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors’ remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company’s board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

15 VOLUNTARY RESERVE

In accordance with the Companies’ Law, and the Parent Company’s Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and board of directors’ remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders’ general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

The shareholders’ general assembly resolved to discontinue the annual transfers to voluntary reserve upon the recommendation by the Board of Directors.

16 EMPLOYEES’ END OF SERVICE BENEFITS

The movement of the provision for employees’ end of service benefits recognized in the consolidated statement of financial position as at 31 December is as follows:

	2018 ***KD***	*2017* *KD*
As at 1 January	**2,100,507**	1,858,887
Charge for the year	**390,431**	368,827
Payments made during the year	**(628,245)**	(127,207)
Foreign currency translation adjustment	**28**	-
As at 31 December	**1,862,721**	2,100,507

17 ACCOUNTS PAYABLE AND ACCRUALS

	2018 ***KD***	*2018* *KD*
Trade payables	**704,686**	643,971
Accrued expenses	**1,217,269**	1,166,875
Advances from customers	**307,750**	299,587
Other payables	**140,718**	100,432
	2,370,423	2,210,865

18 RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, associate, directors and key management personnel of the Group, and companies which are controlled by them or over which they have significant influence. Pricing policies and terms of these transactions are approved by the Parent Company’s management.

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

	Associate *KD*	***Total*** ***2018*** ***KD***	*Total* *2017* *KD*
Amounts due from related parties (Note 11)	58,468	**58,468**	29,239

Amounts due from related parties are receivable on demand and are interest-free.

Compensation of key management personnel
The remuneration of key management personnel of the Group during the year is as follows:

	2018 ***KD***	*2017* *KD*
Short-term benefits	**342,500**	365,579
Employees’ end of service benefits	**16,054**	29,714
	358,554	395,293

19 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 accounts payable and accruals. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as financial assets available for sale, accounts receivable and prepayments, cash and bank balances and term deposits.

The main risk arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

The Parent Company's Board of Directors is ultimately responsible for overall risk management including setting, reviewing and agreeing policies for managing each of these risks which are summarised below.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to credit risk on its bank balances, amounts due from related parties and accounts receivables. The Group seeks to limit its credit risk with respect to customers by dealing with only recognised and creditworthy third parties and by setting credit limits for individual customers and monitoring outstanding receivables.

As described in note 2.3, due to application of IFRS 9 from 1 January 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses (ECL).

The lifetime ECL on trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table shows the aging of trade receivables and lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

	Trade receivables					
31 December 2018	***Days past due***					
	< 30 days KD	***31-60 days KD***	***61-90 days KD***	***91-360 days KD***	***>360 days KD***	***Total KD***
Estimated total gross carrying amount at default	**896,325**	**96,145**	**28,866**	**71,257**	**54,455**	**1,147,049**
Estimated credit loss	**7,344**	**3,041**	**1,302**	**38,987**	**54,455**	**105,129**
Expected credit loss rate	**0.82%**	**3.16%**	**4.51%**	**54.71%**	**100%**	**9.17%**

19 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

1 January 2018	*Trade receivables*					
	Days past due					
	< 30 days KD	*31-60 days KD*	*61-90 days KD*	*91-360 days KD*	*>360 days KD*	*Total KD*
Estimated total gross carrying amount at default	937,192	138,149	41,799	168,377	65,443	1,350,960

Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

The table below summarises the maturity profile of the Group’s financial liabilities at 31 December 2018 and 2017 based on contractual undiscounted payments.

	Less than 3 months KD	*3 to 12 months KD*	*Total KD*
2018			
Accounts payable and accruals*	880,810	539,851	1,420,661
2017			
Accounts payable and accruals*	1,045,890	620,098	1,665,988

* Accounts payable and accruals exclude advance payments from customers and accrued leave.

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 of interest rate risk, foreign currency risk and equity price risk.

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. The Group manages its currency risk by regularly assessing current and expected foreign currency exchange rate movements and Group’s foreign currency payables.

The Group is not exposed to foreign currency risk at the reporting date

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is not exposed to interest rate risk at the reporting date.

19 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk
Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the Parent Company through investment in law risk investments.

The effect on other comprehensive income in equity (as a result of a change in the fair value of financial assets available for sale at 31 December 2017) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	Changes in indices (+/-)	***2018 KD***	*2017 KD*
Effect on profit for the year	5%	86,701	-
Effect on other comprehensive income	5%	-	52,019

20 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 2017. Capital comprises share capital, share premium, statutory reserve, voluntary reserve, retained earnings, cumulative changes in fair value reserve, forgein currency transalation reserve and share-based payment reserve and is measured at KD 8,875,397as at 31 December 2018 (2017: KD 8,820,232 5).

21 FAIR VALUES OF FINANCIAL INSTRUMENTS

The following tables provide the fair value measurement hierarchy of the Group’s financial assets:

	Fair value measurement	
2018	***Total KD***	***Quoted prices in active markets (Level 1) KD***
Equity instruments at FVTPL		
Managed quoted portfolio	**2,016,301**	**2,016,301**
2017		
Financial assets available for sale		
Managed quoted portfolio	1,728,000	1,728,000

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.

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly diffeent from their fair values as most of these assets and liabilities are of short term maturity or re-priced immediately based on market movement in profit rates.

22 CONTINGENCIES AND COMMITMENTS

a) Contingencies

At 31 December 2018 the Group had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to KD 545,962 (2017: KD 128,866).

b) Operating lease commitments

	2018 ***KD***	*2017* *KD*
Future minimum lease payments:		
Within one year	**2,428,342**	2,095,169
After one year but not more than five years	**12,141,710**	10,475,845
Total operating lease expenditure contracted for at the reporting date	**14,570,052**	12,571,014

23 SHARE BASED PAYMENT ARRANGEMENTS

On 2 June 2016, the Parent Company has assigned 60,000 shares of a subsidiary (the “Subsidiary”) to certain key managemnet personnel, as per the agrement for granting shares with mortgage, whereas each one of them shall receive 20,000 shares in the Subsidiary, however, these shares shall be pledged for the benefit of the Parent Company, and may be released after completion of 10 years in service by the the employees. The vesting period shall be 10 years from 2015 to 2024.

During the year, one of the employees has resigned before end of the vesting period, hence his rights to the shares have been forfeited.

The fair value of the granted shares amounted 2.04 fils each. The expense reversed / charged on the share based payments amounts KD 9,253 (2017: 1,357) for the year. This amount is included under staff costs.