KUWAIT HOTELS COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

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

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

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

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

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

Impairment of intangible assets

As at 31 December 2018, the carrying value of intangible assets amounted to KD 1,060,877, which mainly comprises lease rights from the Government and key money paid to acquire operating leases which have indefinite useful lives. The carrying amounts of intangible assets are contingent on future cash flows, and there is a risk if these cash flows do not meet the Group expectations the assets will be impaired. The intangible assets amount have been allocated to the cash-generating unit (CGU) expected to benefit from synergies. Given the significant judgment involved in the annual impairment test and its potential impact on results, this is considered a key audit matter.

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

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

Key Audit Matters (continued)

Impairment of intangible assets (continued)

The impairment reviews performed by the Group contained a number of significant judgements and estimates including revenue growth, profit margins, terminal values and discount rate. Changes in these assumptions might lead to a change in the carrying amounts of intangible assets.

Our audit procedures included, among others, the following;

- We involved our internal specialists to assist us in challenging the valuation methodology used and evaluating the appropriateness of key assumptions applied in the impairment analysis, such as revenue growth, discount rate and terminal values;
- We validated that the cash flow projections used in the valuation and whether these are consistent with management's approved business plans. We have also compared the estimates of cash flow projections of previous periods with actual corresponding results, to assess the reasonableness of the cash flow forecasts; and
- We evaluated the adequacy of the Group's disclosures concerning intangible assets in Note 10 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

Expected credit losses (ECL) for trade receivables

As at 31 December 2018, trade receivables amounted to KD 1,333,122 million representing 17% of total assets.

Effective from 1 January 2018, the Group has applied the simplified approach in IFRS 9 *'Financial Instruments'* to measure ECL for trade receivables, which allows for lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group determines the expected credit losses on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics and days past due.

Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information;
- We involved our internal specialists to assess the appropriateness of the methodology used by management in determining the ECL on trade receivables;

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

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

Key Audit Matters (continued)

Expected credit losses (ECL) for trade receivables (continued)

- We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report;
- Further, in order to evaluate the appropriateness of management judgements, we verified on a sample basis, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.; and
- We also considered the adequacy of the Group's disclosures relating to the ECL, management's assessment of the credit risk and their responses to such risks in Note 23 to the consolidated financial statements.

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

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

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

Responsibilities of Management and those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 as amended, and its executive regulations as amended or by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 ,as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

31 March 2019
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
Revenue from contract with customers	5	5,906,481	6,549,564
Management fees		827,630	780,430
Rental income		882,440	690,602
Total revenue		7,616,551	8,020,596
Cost of sales	5	(6,193,051)	(6,542,088)
GROSS PROFIT		1,423,500	1,478,508
Other income	6	69,937	139,305
Administrative expenses		(1,499,038)	(1,398,094)
Selling and distribution expenses		(218,121)	(120,151)
Finance costs		-	(2,468)
Share of results of an associate		4,785	(22,581)
Write-off of intangible assets	10	(77,251)	-
Impairment loss on available-for-sale financial assets	11	-	(30,869)
Provision for slow moving and obsolete inventories		(18,981)	-
Allowance for expected credit losses (2017: impairment of trade receivable)	12	-	(17,630)
(LOSS)/PROFIT FOR THE YEAR BEFORE TAX		(315,169)	26,020
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(234)
Zakat		(4,173)	-
National Labour Support Tax (NLST)		(10,638)	-
Income tax on overseas operations		(34,249)	(18,783)
(LOSS)/PROFIT FOR THE YEAR	7	(364,229)	7,003
Attributable to:			
Equity holders of the Parent Company		(363,582)	6,930
Non-controlling interests		(647)	73
		(364,229)	7,003
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	8	(6.4) fils	0.1 fils

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

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

	2018 *KD*	*2017* *KD*
(Loss)/profit for the year	(364,229)	7,003
Other comprehensive loss		
Other comprehensive loss that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	(2,230)	(62,196)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(2,230)	(62,196)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	(43,000)	-
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	(43,000)	
Other comprehensive loss for the year	(45,230)	(62,196)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(409,459)	(55,193)
Attributable to:		
Equity holders of the Parent Company	(408,812)	(55,266)
Non-controlling interests	(647)	73
	(409,459)	(55,193)

The attached notes 1 to 25 form part of this 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	9	**3,568,320**	3,840,643
Intangible assets	10	**1,060,877**	1,138,128
Investment in an associate		**26,154**	41,460
Investment securities	11	**50,235**	93,235
		4,705,586	5,113,466
Current assets			
Inventories		**254,954**	359,888
Accounts receivable and prepayments	12	**1,878,877**	1,896,810
Investment securities	11	**71,400**	71,400
Cash and cash equivalents	13	**976,642**	970,002
		3,181,873	3,298,100
TOTAL ASSETS		**7,887,459**	8,411,566
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**5,775,000**	5,775,000
Statutory reserve	15	**716,137**	716,137
Voluntary reserve	15	**313,431**	313,431
Treasury shares	16	**(223,952)**	(223,952)
Fair value reserve		**(83,822)**	(40,822)
Foreign currency translation reserve		**(383,457)**	(381,227)
Other reserve	17	**(513,600)**	(513,600)
(Accumulated losses) / retained earnings		**(602,443)**	33,834
Equity attributable to equity holders of the Parent Company		**4,997,294**	5,678,801
Non-controlling interests		**2,575**	(29,368)
Total equity		**4,999,869**	5,649,433
Non-current liabilities			
Employees' end of service benefits	18	**790,738**	878,052
Current liabilities			
Accounts payable and accruals	19	**2,096,852**	1,884,081
		2,096,852	1,884,081
Total liabilities		**2,887,590**	2,762,133
TOTAL EQUITY AND LIABILITIES		**7,887,459**	8,411,566

Ahmad Yousef Al-Kandari
Chairman

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

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

	Attributable to equity holders of the Parent Company										
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Fair value reserve KD*	*Foreign currency translation reserve KD*	*Other reserve KD*	*Retained earnings/ (accumulated losses) KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2018	5,775,000	716,137	313,431	(223,952)	(40,822)	(381,227)	(513,600)	33,834	5,678,801	(29,368)	5,649,433
Transition adjustment at 1 January 2018 on application of IFRS 9 (Note 3)	-	-	-	-	-	-	-	(272,695)	(272,695)	-	(272,695)
Adjusted balance as at 1 January 2018	5,775,000	716,137	313,431	(223,952)	(40,822)	(381,227)	(513,600)	(238,861)	5,406,106	(29,368)	5,376,738
Loss for the year								(363,582)	(363,582)	(647)	(364,229)
Other comprehensive loss	-	-	-	-	(43,000)	(2,230)	-	-	(45,230)	-	(45,230)
Total comprehensive (loss) income for the year	-	-	-	-	(43,000)	(2,230)	-	(363,582)	(408,912)	(647)	(409,559)
Liquidation of subsidiary (Note 1.2)	-	-	-	-	-	-	-	-	-	32,590	32,590
As at 31 December 2018	5,775,000	716,137	313,431	(223,952)	(83,822)	(383,457)	(513,600)	(602,443)	4,997,294	2,575	4,999,869
As at 1 January 2017	5,775,000	715,421	312,715	(223,952)	(40,822)	(319,031)	(513,600)	310,500	6,016,231	(29,441)	5,986,790
Profit for the year	-	-	-	-	-	-	-	6,930	6,930	73	7,003
Other comprehensive loss	-	-	-	-	-	(62,196)	-	-	(62,196)	-	(62,196)
Total comprehensive (loss) Income for the year	-	-	-	-	-	(62,196)	-	6,930	(55,266)	73	(55,193)
Transfer to reserves	-	716	716	-	-	-	-	(1,432)	-	-	-
Dividends	-	-	-	-	-	-	-	(282,164)	(282,164)	-	(282,164)
As at 31 December 2017	5,775,000	716,137	313,431	(223,952)	(40,822)	(381,227)	(513,600)	33,834	5,678,801	(29,368)	5,649,433

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	*2018* *KD*	*2017* *KD*
OPERATING ACTIVITIES			
(Loss)/profit for the year before tax		(315,169)	26,020
Adjustments to reconcile (loss)/profit for the year to net cash flows:			
Depreciation	9	384,970	434,477
Loss on disposal of items of property and equipment	6	67,507	8,917
Loss on write off of intangible assets	10	77,251	-
Provision for employees' end of service benefits	18	165,436	177,538
Allowance for expected credit losses (2017: impairment of accounts receivable)	12	-	17,630
Provision for obsolete and slow moving inventories		18,983	-
Interest income	6	(4,004)	(4,986)
Finance costs		-	2,468
Impairment loss on available-for-sale financial assets	11	-	30,869
Share of result of an associate		(4,785)	22,581
		390,189	715,514
Working capital adjustments:			
Inventories		85,953	113,157
Accounts receivable and prepayments		(235,917)	781,161
Accounts payable and accruals		163,711	(1,428,114)
Cash flows from operations		403,936	181,718
Employees' end of service benefits paid	18	(252,750)	(256,642)
Net cash flows from / (used in) operating activities		151,186	(74,924)
INVESTING ACTIVITIES			
Purchase of property and equipment	9	(233,359)	(150,082)
Proceeds from disposal of property and equipment		53,205	16,708
Proceeds from disposal of intangible assets		-	57,000
Interest income received		4,004	4,986
Net movement in non-controlling interest		32,590	-
Net cash flows used in investing activities		(143,560)	(71,388)
FINANCING ACTIVITIES			
Finance costs paid		-	(2,468)
Dividends paid		-	(249,828)
Net cash flows used in financing activities		-	(252,296)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,626	(398,608)
Net foreign exchange differences		(986)	(11,295)
Cash and cash equivalents at 1 January		970,002	1,379,905
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	976,642	970,002

Non-cash transactions excluded from the statement of cash flows are as follows:

		2018	2017
Impact on recognition of ECL on accounts receivable		(272,695)	-
Capital redemption in an associate		18,848	-

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

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Kuwait Hotels Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 31 March 2019 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM)..

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The registered office is located at P. O. Box 833, Safat 13009, Kuwait.

The principal activities of the Parent Company is owning, operating and managing hotel, commercial and residential properties; catering services; importing of consumer durables, machinery and equipment; and investment in similar business in or outside Kuwait.

On 15 May 2018, the shareholders at the AGM of the Parent Company approved the consolidated financial statements for the year ended 31 December 2017. No dividends were declared.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 22.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name	*Country of incorporation*	*% equity interest* 2018	*% equity interest* 2017	Principal activities
Kuwait Catering Company K.S.C. (Closed) ("KCC")	Kuwait	99.54%	99.54%	Catering services
Safat Catering Services Company K.S.C. (Closed) ("SCC")	Kuwait	99%	99%	Catering services and manpower supply
Safir International Hotel Management Company E.C. ("SIHM")	Kingdom of Bahrain	99.9%	99.9%	Investment
Safir International Hotel and Resort Management L.L.C ("SIHM Dubai")	United Arab Emirates	100%	100%	Hotel contract management
Jadi Catering Company W.L.L. *	Qatar	-	100%	Catering services
Safir Support Services Company K.S.C. (Closed)	Kuwait	99.7%	99.7%	Manpower supply
Ramo Trading Company W.L.L. (Held through SCC)	Kuwait	99.9%	99.9%	Pastry and bakery manufacturing and trading

* During the year ended 31 December 2018, the Parent Company liquidated the underlying subsidiary. The resultant loss from this transaction amounted to KD 4,314 which was recorded in profit or loss for the year then ended. Further, the Group derecognised the related non-controlling interests of KD 32,590.

b) Associates

Set out below are the associates of the Group as at 31 December:

Name	*Country of incorporation*	*% equity interest* 2018	*% equity interest* 2017	Principal activities
Abu Nawas for Tourism and Services	Tunisia	50%	50%	Travel and tourism related services.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

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

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

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

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

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

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

- Accounts receivable classified as 'Loans and receivables' under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as 'Debt instruments at amortised cost' beginning 1 January 2018.
- Equity securities that the Group intends to hold for the long term for strategic purposes have been irrevocably designated at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- Equity securities that the Group designated as at FVTPL under IAS 39 because they were managed on a fair value basis and their performance was monitored on this basis have been classified as mandatorily measured at FVTPL under IFRS 9 beginning 1 January 2018.

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

The IFRS 9 impact of required or elected reclassifications as at 1 January 2018 is disclosed in Note 3.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

IFRS 9 - *Financial Instruments (continued)*

b) Impairment of financial assets
IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. IFRS 9 requires the Group to recognise an allowance for ECLs for all other debt instruments not held at fair value through profit or loss and contract assets.

The Group's accounting policies for impairment of financial assets is explained in Note 2.4. The quantitative impact of adoption of IFRS 9 as at 1 January 2018 is disclosed in Note 13.

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

IFRS 15 - *Revenue from Contracts with Customers*
The Group has adopted IFRS 15 *Revenue from Contracts with Customers* with effect from 1 January 2018 using a modified retrospective method of adoption by not restating the comparative information.

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

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

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

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

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

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

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

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.4 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights 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.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and acquisition of non-controlling interests (continued)
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.

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

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

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

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

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

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

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

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash on hand, non-restricted cash at banks and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, as they are considered an integral part of the Group's cash management.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments
In the current period the Group has adopted IFRS 9 *Financial Instruments*. See Note 3 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

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

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

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

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

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

Financial assets – Policy applicable before 1 January 2018

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

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

c) Derecognition

Financial assets

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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

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

Impairment of financial assets - *Policy applicable from 1 January 2018*
Financial instruments and contract assets
The Group recognises an allowance for expected credit losses (ECLs) on:
- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

Equity investments are not subject to ECLs.

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

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

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

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In the case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the equity 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. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those available-for-sale financial assets previously recognised in the statement of profit & loss, is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increase in their fair value after impairment is recognised directly in OCI.

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

In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement.

Revenue recognition
Revenue recognition from sale of goods is expected to occur at a point in time when control of the goods are transferred to the customer, generally on delivery of the goods.

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

Management fees
Fees earned for the provision of services over a period of time are accrued over that period.

Revenue from rendering of services
Revenue from rendering services is recognised when the related services are provided.

Rental income
The Group is the lessor in certain operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms.

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

National Labour Support Tax
NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxes (continued)

Zakat

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

Taxation on overseas subsidiary

Income tax on overseas subsidiary represents tax for operations in Egypt, Syria and Lebanon and is calculated in accordance with the applicable tax law of these countries.

Income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not implicitly specified in an arrangement.

Group as a lessee

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

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of land lease rights are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the land lease rights and recognised over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

Foreign currencies

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Transactions and balances

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

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

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Property and equipment
Property and equipment is stated at cost, net of accumulated depreciation and/or any accumulated impairment losses, if any.

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

Buildings	10 to 25 years
Machinery, equipment and furniture	3 to 15 years
Leasehold improvement and decorations	4 to 10 years
Motor vehicles	3 to 8 years

Capital work in progress is stated at cost, net of accumulated impairment losses, if any.

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 property and equipment. All other expenditure is recognised 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 statement of 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.

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

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU 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.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

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

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

The principal or the most advantageous market must be accessible 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Treasury shares
The Parent Company's own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in treasury share reserve to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the reserves. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Employees' end of service benefits
The Group provides end of service benefits for its all employees in accordance with Kuwait Labour Law. 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.

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

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

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

Current versus non-current classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/non-current classification. An asset is classified as current when it is:

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

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

3 IFRS 9 – IMPACT OF ADOPTION

The adoption of the ECL requirements of IFRS 9 resulted in an increase in impairment allowances of the Group's trade receivables. The increase in allowance resulted in adjustment to retained earnings as follows:

	Retained earnings KD
Closing balance under IAS 39 as at 31 December 2017	33,834
Impact on recognition of ECL on accounts receivable:	
ECL under IFRS 9 for trade receivables at amortised cost	(272,695)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**(238,861)**

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 as at 1 January 2018:

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Transition adjustments KD*	*New carrying amount under IFRS 9 KD*
Cash and cash equivalents	Loans and receivables	Amortised cost	970,002	-	970,002
Trade receivables (excluding prepayments)	Loans and receivables	Amortised cost	1,335,186	(272,695)	1,062,491
Investment securities	AFS	FVOCI	97,434	-	97,434
Investment securities	FVTPL	FVTPL	71,400	-	71,400
Total financial assets			2,474,022	(272,695)	2,201,327

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Classification of financial assets
Policy effective from 1 January 2018 (IFRS 9)
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding. Refer Note 2.4 classification of financial assets for more information.

Policy effective before 1 January 2018 (IAS 39)
On acquisition of financial assets management decides whether it should be classified as financial assets at fair value through profit or loss, loans and receivables or financial assets available for sale. Further, determining whether or not the market for a quoted financial instrument is active requires judgement based on assessment of the volume/market conditions and availability of ready and regular quotes.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements
Classification of financial assets (continued)

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

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

Impairment of intangible assets with indefinite useful lives
The Group tests whether an intangible asset with an indefinite useful live (key money) has suffered any impairment on an annual basis. For the 2018 and 2017 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. These growth rates are consistent with forecasts specific to the industry in which each CGU operates.

Impairment of financial assets at amortised cost
Effective before 1 January 2018 (IAS 39)
An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Effective from 1 January 2018 (IFRS 9)
The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

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

Impairment of inventories
Inventories are valued at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable 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.

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

5 REVENUE AND COST OF REVENUE

a) Revenue from contract with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December 2018		
	Catering *KD*	*Bakery products* *KD*	*Total* *KD*
Type of goods or service			
Revenue from rendering of services	4,461,252	-	4,461,252
Sale of goods	-	1,445,229	1,445,229
	4,461,252	1,445,229	5,906,481
Timing of revenue recognition			
Goods transferred at a point in time	-	1,445,229	1,445,229
Services transferred over time	4,461,252	-	4,461,252
	4,461,252	1,445,229	5,906,481

	For the year ended 31 December 2017		
	Catering *KD*	*Bakery products* *KD*	*Total* *KD*
Type of goods or service			
Revenue from rendering of services	4,609,250	-	4,609,250
Sale of goods	-	1,940,314	1,940,314
	4,609,250	1,940,314	6,549,564
Timing of revenue recognition			
Goods transferred at a point in time	-	1,940,314	1,940,314
Services transferred over time	4,609,250	-	4,609,250
	4,609,250	1,940,314	6,540,564

b) Cost of sales

	2018 *KD*	*2017* *KD*
Material costs	1,575,719	1,796,231
Staff costs	3,411,680	3,424,786
Operating lease rental expenses	357,910	415,798
Depreciation (Note 9)	171,933	200,394
Other costs	675,809	704,879
	6,193,051	6,542,088

6 OTHER INCOME

	2018 *KD*	*2017* *KD*
Loss on sale of items of property and equipment	(67,507)	(8,917)
Interest income	4,004	4,986
Miscellaneous income	133,440	143,236
	69,937	139,305

7 (LOSS) / PROFIT FOR THE YEAR

	2018 KD	*2017 KD*
Included in cost of sales		
Staff costs	3,411,680	3,424,786
Cost of inventories recognised as an expense	1,575,719	1,796,231
Rental expenses-operating leases	357,910	415,798
Depreciation	171,933	200,394
	5,517,242	5,837,209
Included in administrative expenses		
Staff costs	576,970	577,235
Depreciation	213,037	234,083
	790,007	811,318

8 EARNINGS PER SHARE (EPS)

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

	2018	*2017*
(Loss) / profit for the year attributable to equity holders of the Parent Company (KD)	(363,582)	6,930
Weighted average number of shares outstanding (shares) *	56,433,300	56,433,300
Basic and diluted EPS (fils)	(6.4)	0.1

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

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

9 PROPERTY AND EQUIPMENT

	Buildings *KD*	*Machinery, equipment and furniture* *KD*	*Leasehold improvements and decorations* *KD*	*Motor vehicles* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:						
At 1 January 2018	4,255,717	7,622,602	1,112,603	952,212	-	13,943,134
Additions	1,300	63,361	96,168	9,175	63,355	233,359
Disposals	-	(150,350)	(98,676)	(8,480)	-	(257,506)
At 31 December 2018	4,257,017	7,535,613	1,110,095	952,907	63,355	13,918,987
Depreciation:						
At 1 January 2018	1,284,940	7,089,202	944,377	783,972	-	10,102,491
Charge for the year	173,972	104,432	46,145	60,421	-	384,970
Relating to disposals	-	(118,114)	(17,514)	(1,166)	-	(136,794)
At 31 December 2018	1,458,912	7,075,520	973,008	843,227	-	10,350,667
Net book value:						
At 31 December 2018	2,798,105	460,093	137,087	109,680	63,355	3,568,320

9 PROPERTY AND EQUIPMENT (continued)

	Buildings *KD*	*Machinery, equipment and furniture* *KD*	*Leasehold improvements and decorations* *KD*	*Motor vehicles* *KD*	*Total* *KD*
Cost:					
At 1 January 2017	4,253,007	7,585,345	1,135,593	929,899	13,903,844
Additions	2,710	42,080	11,600	93,692	150,082
Disposals	-	(4,823)	(34,590)	(71,379)	(110,792)
At 31 December 2017	4,255,717	7,622,602	1,112,603	952,212	13,943,134
Depreciation:					
At 1 January 2017	1,111,786	6,922,352	909,719	809,324	9,753,181
Charge for the year	173,154	171,645	43,738	45,940	434,477
Relating to disposals	-	(4,795)	(9,080)	(71,292)	(85,167)
At 31 December 2017	1,284,940	7,089,202	944,377	783,972	10,102,491
Net book value:					
At 31 December 2017	2,970,777	533,400	168,226	168,240	3,840,643

10 INTANGIBLE ASSETS

	Land lease rights from government KD	*Key money KD*	*Total KD*
Cost:			
At 1 January 2018	314,000	999,808	1,313,808
Write-off	-	(77,251)	(77,251)
At 31 December 2018	314,000	922,557	1,236,557
Amortisation and impairment:			
At 1 January 2018	-	175,680	175,680
At 31 December 2018	-	175,680	175,680
Net book value:			
At 31 December 2018	**314,000**	**746,877**	**1,060,877**

	Land lease rights from government KD	*Key money KD*	*Total KD*
Cost:			
At 1 January 2017	314,000	1,056,808	1,370,808
Disposal	-	(57,000)	(57,000)
At 31 December 2017	314,000	999,808	1,313,808
Amortisation and impairment:			
At 1 January 2017	-	175,680	175,680
At 31 December 2017	-	175,680	175,680
Net book value:			
At 31 December 2017	314,000	824,128	1,138,128

Key money represents amounts paid for securing operating leases for the Group's retail outlets.

The recoverable amount has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period based on the historical pattern of sales volumes and revenue growth. The discount rate applied to cash flow projections is 10.67% (2017: 12%) and cash flows beyond the five-year period are extrapolated using a 1% growth rate (2017: 1%), which does not exceed the long term average growth rate of the State of Kuwait.

As a result of the analysis, the recoverable amount of the entire CGU based on value in use as at 31 December 2018 was estimated to be KD 1,592,732 (2017: KD 1,614,709), hence exceeding the carrying value by KD 845,855 of that date (2017: KD 790,581). Accordingly, management did not identify an impairment loss during the year ended 31 December 2018 (2017: Nil).

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Revenue growth;
- Discount rate; and
- Projected growth rate used to extrapolate cash flows beyond the budget period.

Revenue growth:
Revenue growth is based on average values achieved in the two years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

10 INTANGIBLE ASSETS (continued)

Discount rate:
Discount rate is calculated by using the Weighted Average Cost of Capital (WACC). The inputs to the calculation of the discount rate reflects current market assessment of the time value of money and risks specific to the CGU and the country of the CGU.

Projected growth rate:
Assumptions are based on industry research. The Group has used conservative projected growth rate considering CGU's current performance under Kuwait competitive market.

Sensitivity to changes in assumptions
With respect to management's assessment of value in use of the cash generating unit, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

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

11 INVESTMENT SECURITIES

	2018 *KD*	*2017* *KD*
New classification under IFRS 9		
Financial assets at fair value through other comprehensive income:		
Unquoted equity securities	50,235	-
	50,235	-
Financial assets at fair value profit or loss:		
Unquoted equity securities	71,400	
	71,400	-
	131,635	-
Original classification under IAS 39		
Available-for-sale (AFS) financial assets		
Unquoted equity securities	-	93,235
	-	93,235
Financial assets designated at fair value through profit or loss:		
Unquoted equity securities	-	71,400
	-	71,400
	-	164,635

At 31 December 2017, certain equity instruments amounting to KD 81,934 that do not have a quoted price in active market and whose fair value cannot be measured reliably were accounted at cost (in accordance with IAS 39). These instruments have been measured at fair value at the date of initial application of IFRS 9. Any difference between the previous carrying amount and the fair value is recognised in the opening retained earnings or OCI, as appropriate.

The Group's investment in unquoted equity securities was previously accounted at cost less impairment (in accordance with IAS 39). At 31 December 2017, the management had carried out a detailed review of these investments, to assess whether there is objective evidence that these investments were impaired. As a result, the Group recorded an impairment loss amounting to KD 30,869 during the year then ended.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 24.

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2018 *KD*	*2017* *KD*
Trade receivables	2,309,783	2,054,211
Less: Allowance for expected credit losses (2017: provision for impairment of trade receivables)	(976,661)	(719,025)
	1,333,122	1,335,186
Prepayments and other receivables	541,556	557,425
	1,874,678	1,892,611

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 23.1 includes disclosures relating to the credit risk exposures and on analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable and prepayments do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Movements in the allowance for expected credit losses/ impairment during the years ended 31 December are as follows:

	2018 *KD*	*2017* *KD*
At 1 January	719,025	759,318
Opening loss allowance as at 1 January 2018- calculated under IFRS 9 (Note 2.3)	272,695	-
Opening provision for impairment of trade receivables	991,720	759,318
Allowance for expected credit losses	-	17,630
Written off during the year	(15,059)	(57,923)
At 31 December	976,661	719,025

The above comparative for impairment provisions refers to IAS 39 measurement basis which applied on incurred loss model, whereas the current year applies IFRS 9 which is on expected loss model.

13 CASH AND CASH EQUIVALENTS

	2018 *KD*	*2017* *KD*
Cash at banks and on hand	726,642	970,002
Short-term deposits maturing within three months	250,000	-
	976,642	970,002

Short-term deposits are made for a period of three months, depending on the immediate cash requirements of the Group, and earn interest at an effective interest rate of 2.625% (2017: Nil) per annum.

14 SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2018	*2017*	*2018*	*2017*
			KD	*KD*
Shares of 100 fils each (paid in cash)	57,750,000	57,750,000	5,775,000	5,775,000

15 RESERVES

(a) 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.

(b) 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.

16 TREASURY SHARES

	2018	*2017*
	KD	*KD*
Number of shares	1,316,700	1,316,700
Percentage of issued shares	2.28%	2.28%
Cost (KD)	223,952	223,952
Market value ("KD")	171,171	323,908

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

17 OTHER RESERVE

Other reserve represents the effect of changes in ownership interests in subsidiaries without loss of control.

18 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2018	*2017*
	KD	*KD*
At 1 January	878,052	957,156
Charge for the year	165,436	177,538
Benefits paid during the year	(252,750)	(256,642)
At 31 December	790,738	878,052

19 ACCOUNTS PAYABLE AND ACCRUALS

	2018 *KD*	*2017* *KD*
Trade accounts payables	747,981	522,882
Unearned revenue	514,060	473,736
Accruals and other liabilities	834,811	887,463
	2,096,852	1,884,081

Terms and conditions of the above financial liabilities are:

- Trade payables are non-interest bearing and are normally settled on 60 day terms.
- Other payables are non-interest bearing and have average term of six months

For explanation on the Group's liquidity risk management process, refer to Note 23.

20 SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

- Hotel Management: Owning, operating and managing of hotels
- Catering and manpower supply services: Providing catering and manpower supply services to governmental and non-governmental institutions.
- Information technology services: Information technology administrative support

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments.

20 SEGMENT INFORMATION (continued)

The following table presents segment revenue and results information regarding the Group's business segments:

	Hotel management		*Catering and manpower supply services*		*Information technology services*		*Total*	
	2018 *KD*	*2017* *KD*	*2018* *KD*	*2017* *KD*	*2018* *KD*	*2017* *KD*	*2018* *KD*	*2017* *KD*
Rental income	882,440	690,602	-	-	-	-	882,440	690,602
Revenue from contracts with customer	-	-	5,766,472	6,431,330	140,009	118,234	5,906,491	6,549,564
Management fees	827,630	780,430	-	-	-	-	827,630	780,430
	1,710,070	1,471,032	5,766,473	6.431,330	140,009	118,234	7,616,551	8,020,596
Expenses								
Depreciation and amortization	(229,199)	(203,028)	(155,544)	(231,222)	(227)	(227)	(384,970)	(434,477)
Write-off of intangible assets	-	-	(77,251)	-	-	-	(77,251)	-
Share of results of an associate	4,785	(22,581)	-	-	-	-	4,785	(22,581)
Taxation	(49,060)	(18,783)	-	-	-	-	(49,060)	(18,783)
Finance cost		-	-	(2,468)	-	-	-	(2,468)
Allowance for expected credit losses (2017: provision for doubtful debts)	-	(17,630)	-	-	-	-	-	(17,630)
Provision for slow moving and obsolete inventories	-	-	(18,981)	-	-	-	(18,981)	-
Segment (loss) /profit	(42,457)	6,198	(340,611)	31,393	18,839	(30,588)	(364,229)	7,003
Assets	4,521,666	3,839,127	3,354,412	4,533,715	11,380	38,724	7,887,458	8,411,566
Liabilities	1,451,465	1,551,490	1,381,293	1,150,242	54,932	60,401	2,887,690	2,762,133
Other disclosures								
Investment in an associate	26,153	41,460	-	-	-	-	26,153	41,460
Additions to property and equipment	106,253	21,499	127,105	128,583	-	-	233,358	150,082

Geographically, all assets of the Group are located in the Middle Eastern countries. All revenue from operations of the Group is from activities in the Middle Eastern countries.

21 COMMITMENTS AND CONTINGENCIES

21.1 Commitments

The Group has entered into commercial leases for certain premises and a property rented from the Government of Kuwait. These leases have an average life of between one and five years. There are no restrictions placed upon the Group be entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2018 *KD*	*2017* *KD*
Within one year	297,708	383,352
After one year but not more than five years	722,497	681,220
	1,020,205	1,064,572

21.2 Contingent liabilities

At the reporting date, the Group has provided performance bank guarantees to its customers amounting to KD 1,486,539 (2017: KD 1,868,600). It is anticipated that no material liabilities will arise.

22 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	Major shareholder *KD*	*Other affiliates* *KD*	*2018* *KD*	*2017* *KD*
Management fees	322,603	39,869	362,472	335,090
Cost of sales	(91,865)	-	(91,865)	-
Administrative expenses	-	(86,993)	(86,993)	(49,960)

Investment in equity securities amounting to KD 88,900 (2017: KD 86,900) are managed by a related party.

Key management compensation

Key management personnel comprise of the Board of Directors and key member of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Transaction value for the year ended 31 December		*Balance outstanding as at 31 December*	
	2018 *KD*	*2017* *KD*	*2018* *KD*	*2017* *KD*
Salaries and short-term employee benefits	189,456	215,076	36,256	46,504
End of services benefits	18,216	20,682	190,330	172,347
	207,672	235,758	226,586	218,851

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk which is further sub-divided into interest rate risk, foreign currency risk and equity price risk. The Group's policy is to monitor those business risks through the Group's strategic planning process.

The Group's principal financial liabilities comprise of accounts payable and accruals. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable and cash and cash equivalents which are directly from its operations.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

23.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to financial loss. Financial assets subject to credit risk consist principally of bank balances, short term deposits and accounts receivable.

Risk concentration of maximum exposure to credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2018	*2017*
	KD	*KD*
Bank balances and short-term deposits	975,452	969,002
Trade receivables	1,333,122	1,335,186
	2,308,574	2,304,188

Cash and short term deposits

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

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of three months for individual and corporate customers respectively.

At 31 December 2018, its five largest customers account for 63% (2017: 41%) of outstanding trade accounts receivable at 31 December 2018.

Comparative information under IAS 39

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 270 days overdue).

23 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.1 Credit risk (continued)

Risk concentration of maximum exposure to credit risk (continued)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2017 is as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			1-90 days	91-180 days	>180 days
	KD	KD	KD	KD	KD
2017	1,335,186	591,016	151,384	57,973	534,813

Impaired trade receivables at 31 December 2017 had a gross carrying amount of KD 2,054,211. At 31 December 2017, there was an impairment loss of KD 719,025 related to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Expected credit loss assessment for trade receivables as at 1 January 2018 and 31 December 2018

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from large number of customers including governmental agencies. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 270 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) on the Group's trade receivables using a provision matrix:

	Neither past due nor impaired	Days past due			Total
		1-90 days	91-180 days	>180 days	
31 December 2018	KD	KD	KD	KD	KD
Expected credit loss rate	-	4.6%	40%	84%	42.28%
Estimated total gross carrying amount at default	707,696	315,263	269,589	1,017,235	2,309,783
Expected credit loss	-	14,544	108,205	853,912	976,661

	Current	Days past due			Total
		1-90 days	91-180 days	>180 days	
1 January 2018	KD	KD	KD	KD	KD
Expected credit loss rate	-	8.76%	65%	62%	42.62%
Estimated total gross carrying amount at default	591,016	165,928	166,178	1,403,784	2,326,906
Expected credit loss	-	14,544	108,205	868,971	991,720

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's terms of sales require amounts to be paid within 30 days of the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Less than 3 months KD	*3 – 12 months KD*	*Total KD*
2018			
Accounts payable and accruals *	633,157	949,635	1,582,792
Total liabilities	633,157	949,635	1,582,792

	Less than 3 months KD	*3 – 12 months KD*	*Total KD*
2017			
Accounts payable and accruals *	562,399	847,946	1,410,345
Total liabilities	562,399	847,946	1,410,345

* Accounts payable and accruals excludes unearned revenue.

23.3 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 prices comprise of interest rate risk, foreign currency risk, and equity price risk.

23.3.1 Interest rate risk

The Group is exposed to interest risk on its short-term loans which mature or reprice in the short-term, no longer than twelve months. The effective interest rates are disclosed in Note 13. As a result, the Group is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The following table demonstrates the sensitivity of the statement in profit and loss to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the Group's profit for one year, based on the floating rate financial assets held at 31 December.

	Increase/decrease in basis points	*Effect on results for the year KD*
2018		
KD	+/-100	2,500
2017		
KD	+/-100	-

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

23.3 Market risk

23.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not significantly exposed to foreign currency risk as majority of its monetary assets and liabilities are denominated in the functional currency of the Parent Company.

23.3.3 Equity price risk

The Group's equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group holds strategic equity investments in private entities, which complement the Group's operations. Management believes that the exposure to market price risk from this activity is acceptable in the Group's circumstances.

At the reporting date, the exposure to unquoted equity investments at fair value was KD 131,635. Sensitivity analyses of these investments have been provided in Note 24

24 FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

Financial instruments:
Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, 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.

The Group's financial assets at fair value through profit or loss are measured in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

For other financial assets and financial liabilities carried at amortized cost, management assessed that the carrying value is not significantly different from their fair values largely due to the short-term maturities of these instruments.

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

	Fair value measurement using			
At 31 December 2018	*Quoted prices in active markets (Level 1) KD*	*Significant Observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Unquoted equity securities	-	-	-	71,400
	-	-	-	71,400
Financial assets at fair value through other comprehensive income				
Unquoted equity securities	-	-	50,235	50,235
	-	-	50,235	50,235

24 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	Fair value measurement using			
At 31 December 2018	*Quoted prices in active markets (Level 1)* *KD*	*Significant Observable inputs (Level 2)* *KD*	*Significant unobservable inputs (Level 3)* *KD*	*Total* *KD*
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Unquoted equity securities	-	-	-	71,400
	-	-	-	71,400
Available-for-sale financial assets				
Unquoted equity securities	-	-	93,235	93,235
	-	-	93,235	93,235

Description of significant unobservable inputs to valuation of financial assets:
The fair value of unlisted equity investment have been estimated using a market based valuation technique. The Group determines comparable public companies (peers) based on industry, size and leverage and calculates an appropriate trading multiple for the comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis as at 31 December 2018 are as shown below:

	Valuation techniques	*Significant unobservable inputs*	*DLOM*	*Sensitivity of the input to fair value*
Unquoted equity security	Market multiple approach	DLOM *	25%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 5,207

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

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

2018	*Financial assets at FVOCI* *KD*	*Financial assets at FVTPL* *KD*	*Total* *KD*
As at 1 January (restated)	93,235	71,400	164,635
Remeasurement recognised in OCI	(43,000)	-	(43,000)
As at 31 December	50,235	71,400	121,635

24 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair values (continued)

2017	*Available-for-sale financial assets*	*Financial assets at FVTPL*	*Total*
As at 1 January	124,104	71,400	195,504
Impairment loss	(30,869)	-	(30,869)
As at 31 December	93,235	71,400	164,635

25 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 2017. Capital represents equity attributable to equity holders of the Parent Company and is measured at KD 4,997,294 as at 31 December 2018 (2017: KD 5,678,801).