الامتياز

ALIMTIAZ GROUP

Annual 2018 REPORT

Passion for Excellence
Driving Growth

AL IMTIAZ INVESTMENT GROUP COMPANY K.S.C.P

بِسْمِ ٱللَّهِ ٱلرَّحْمَٰنِ ٱلرَّحِيمِ

﴿يَٰٓأَيُّهَا ٱلَّذِينَ ءَامَنُوٓاْ أَوۡفُواْ بِٱلۡعُقُودِ﴾

سورة المائدة (١)

His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of The State of Kuwait

His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of The State of Kuwait

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Board of Directors

Mr. Khalid Sultan Ben Essa	Chairman - Non Executive
Mr. Abdullah Dekheel Al-Jassar	Deputy Chairman - Non Executive
Mr. Ahmad Mohammad Boodai	Member - Non Executive
Mr. Salman Mohammed Al-Muhanadi	Member - Non Executive
Mr. Tareq Ibrahim Al-Mansour	Member - Independent
Mr. Abdulrahman Mohammad Al-Khannah	Member - Independent
Mr. Nawaf Hussain Marafi	Member - Executive (Group Chief Executive Officer)

Fatwa and Shari'a Supervisory Board

Dr. Naif Mohammad Al Ajami	Chairman
Dr. Nazem Mohammad Al Musbah	Member
Prof. Sulieman Maarafie Safar	Member
Dr. Khaled Shojaa Al-Otaibi	Member
Prof. Ibrahim Abdullah Al-Sabaii	Member

Chairman's Message

Peace and Allah's Blessings be upon you

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

On behalf my fellow Board Members and myself, it gives me great pleasure to welcome you to our annual ordinary General Assembly meeting and present to you the thirteenth annual report containing the consolidated financial statements of Al Imtiaz Investment Group, the Independent Auditors' report, the Fatwa and Shari'a Supervisory Board report, the External Shari'a Auditor's report, the Governance report, the Audit Committee's report and the main financial performance indicators of the Group for the financial year ended 31/12/2018.

Esteemed Shareholders,

With the grace and blessings of Allah, followed by the efforts of the Board of Directors and the Company's employees, Al Imtiaz Investment Group has achieved growth in operating profits for the fifth consecutive year. Notwithstanding the difficult economic environment and the fundamental developments in the regional geopolitical environment, 2018 was outstanding for the Group at all levels in terms of the financial results achieved at the parent and consolidated levels and in terms of the noticeable increase in operating revenues. The Company continued with its strategy to restructure the investment portfolio and divest its non-core assets in a systematic and structured manner. This has strengthened the Company's financial position and enabled it to acquire new investments as well as, reinvest the surplus to support the operating activities of the Group's subsidiaries.

Praise be to Allah Almighty, Al Imtiaz Investment Group achieved total revenues of KD 51.0 million at year-end 2018 compared to KD 76.3 million for 2017 Taking into consideration the larger exits that took place in 2017. On the other hand, total expenses decreased to circa 27.1 million compared to KD 40.8 million for 2017 including Zakat amounting to KD 128 thousand resulting in a net profit of KD 20.0 million compared to KD 30.8 million in 2017. Earnings per share in 2018 reached 19.24 Fils compared to 29.63 Fils in 2017. The Company's assets at year-end 2018 amounted to KD 369.9 million, an increase of 21.2% compared to KD 305.2 million for 2017. Total liabilities at year-end 2018 were KD 127.5 million, an increase of 115.1% compared to KD 59.3 for 2017 primarily due to an increase in debt of KD 21.5 million, to support and fund the company's activities. Al Imtiaz retains a strong and flexible capital structure to support future growth and investments. The Shareholders' Equity at year-end 2018 amounted to KD 206.2 million, an increase of 3.8% compared to KD 198.5 million for 2017.

In light of these financial results, the Board of Directors recommends the distribution of an 8% cash dividend (8 Fils per share) for the financial year ended 31 December 2018.

The Board of Directors also seeks the esteemed Assembly's approval for remuneration of KD 114,750 (one hundred and fourteen thousand and seven hundred fifty Kuwaiti Dinars) for its efforts during the past year. Members of the Board of Directors do not receive any other benefits other than their inclusion in the Company's takaful health insurance program.

Esteemed Shareholders,

The Company continued to execute its strategy during 2018, aiming to enhance growth through geographical expansion and to invest in new operating sectors while maintaining focus on the subsidiaries that function in the Real Estate, Oil & Gas, Education, Pharmaceuticals and Technology Services sectors. Sectors that benefit from considerable growth potential. AIG strives to deliver new direct investment in the MENA region acquiring majority stakes that shall improve Operational performance and enhance growing profitability.

Al Imtiaz Investment Group has given great attention to reinforcing an institutional culture and the principles of Corporate Governance and transparency, whilst strictly adhering to the principals of Islamic Shariah and Allah willing this shall lead to sustained growth and progress.

Esteemed Shareholders,

I would like to conclude by expressing our sincere appreciation and thanks to all our shareholders for their continuous trust and support and we look forward to continued cooperation towards developing the Company's remarkable performance and growing the Shareholder's Equity. Please allow me to extend my sincere gratitude to my fellow Board Members for their continuous efforts and tireless work, and to their eminence, members of the Fatwa and Sharia' Supervisory Board for their cooperation and valued contributions.

Finally, we cannot overlook the extensive efforts of the Executive Management and the employees of Al Imtiaz Investment Group towards achieving these excellent results, in a work environment dominated by teamwork and a constant drive to outperform.
We pray to Allah that our joint efforts be successful, and we thank you for your attendance and participation.

Peace and Allah's Mercy and Blessings be upon you

Khalid Sultan Ben Essa
Chairman

Executive Report

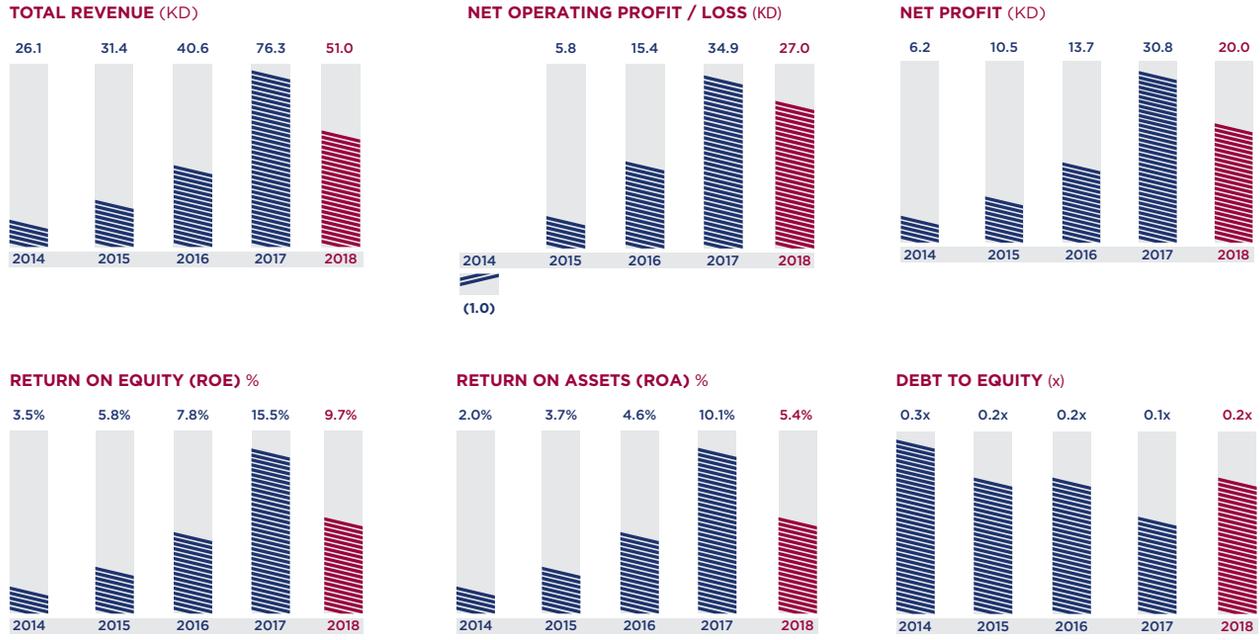
Praise be to Allah, the Almighty,

Al Imtiaz Investment Group, during 2018, continued to transition towards its strategic objectives. Whilst portfolio optimization and restructuring activities continued, focus shifted towards growth driven by operational excellence of investment portfolio companies and acquisitions that provide geographic and sectorial diversification. The overall financial performance of the group remained strong, yet lower compared to the previous year due to the exceptional divestment of assets during 2017. Since 2014, Al Imtiaz's revenues increased at a CAGR of 14.4% to KD 51.0 million and correspondingly net Profit increased by 26.4% to KD 20.0 million over the same period. The investment platform continued to strengthen; revenue from the core portfolio companies increased by 23.7% from KD 28.9 million in 2017 to KD 35.7 million in 2018. 2018 EBITDA amounted to KD 29.1 million, of which the core portfolio companies and operations contributed 49.5% in the amount of KD 14.4 million.

With the grace and blessings of Allah, despite difficult macroeconomic conditions and geopolitical challenges across neighboring regional markets, Al Imtiaz was able to minimize the negative impact of these headwinds through effective strategic and capital allocation decisions. Al Imtiaz completed several strategic initiatives over the last twelve months and continued to rebalance its portfolio. Al Imtiaz divested its ownership of 5.2% of Tamdeen Shopping Centers in the amount of circa KD 6.7 million. On the other hand, Al Imtiaz consolidated its position in Majd Food Company, a food and beverage processing and packaging company, through the acquisition of an additional 49.4% direct stake with total direct ownership reaching 61% and for an amount of circa KD 5.7 million. Al Imtiaz also increased its ownership in Al Ritaj Holding Company, the company's pharmaceutical arm, through the acquisition of an additional 20% direct stake for a value of approximately KD 3.6 million with total direct ownership reaching 92.5%.

Al Imtiaz Real Estate subsidiaries, Dimah Capital and Al Bilad Investment successfully obtained the approvals for their merger from regulatory authorities. The merger is expected to be completed by the end of the first quarter of 2019. The merger, once finalized, is expected to provide the new Dimah Capital with an increase of 50.2% in total assets under management, an increase in client base by 30% (compared to 2017) and a balanced portfolio with international geographic exposure providing strong yields and returns. Overall the merger will enable the new Dimah Capital to derive synergies and accelerate expansion of its operations.

Al Imtiaz also continued to raise liquidity through divestiture of non-core assets totaling approximately KD 25.4 million. The company generated circa KD 10.8 million in Cash from disposal of land in Kuwait City. Similarly, the company raised circa KD 13 million in cash from exit of HumanSoft shares. The company also generated over KD 1.5 million from other exits. The liquidity generated from these divestments was largely reallocated towards new acquisitions. Al Imtiaz subsidiary, Integrated Technology Holding Company, acquired an IT and technology services company with operations across the Mena and GCC region that provides best-in-class



IT, Professional Audio Visual and Enterprise Software Solutions to both public and private sector companies and Employs over 1,600 professionals. The acquisition amount was for a value of KD 40.4 million and was partially funded through debt financing in the amount of KD 21.5 million.

The acquisitions, Allah willing, are expected to accelerate expansion into major GCC markets and provide platform development through addition of new strategic business verticals to drive EBITDA growth. Al Imtiaz also continued to augment its existing investment portfolio by working closely with subsidiaries management teams in refining strategic direction and implementing operational enhancements to deliver direct cost savings and efficiencies. In turn these strategic initiatives, with the grace and blessing of Allah, are expected to drive Al Imtiaz towards its ultimate objective of maximizing shareholder returns. In line with this, Al Imtiaz delivered a Return on Equity of 9.7% at the year. end of 2018. Al Imtiaz, Allah willing, is now set on a trajectory of continued growth, supported by a talented management team and improved financial position.

Portfolio Performance Review

Al Imtiaz total assets amounted to approximately KD 370 million (circa USD 1.2 billion) at year-end 2018, of which the investment portfolio had a net asset value (NAV) of almost KD 259 million (circa over USD 852 million). This reflects an increase of 16.7% compared to a NAV of KD 222 million in 2017. It is worthwhile noting that certain investments reflected in the NAV are not marked to market and are reported at book value. The key constituent of the NAV is Al Imtiaz investments in core operating companies that account for approximately 59% of the portfolio value. These investments are centered around six main business verticals; real estate, pharmaceuticals, energy and construction/ contracting, education, IT and technology services and F&B processing and packaging.

Al Imtiaz is focused on achieving operational excellence and sharing best practices across its business verticals. In view of this, executives at the Group level continued to provide strategic guidance to portfolio companies and assisted management teams in implementing corporate strategies and achieving their financial objectives. Al Imtiaz also continued

to invest and realize value from its portfolio, making additional investments in portfolio companies and accruing new investments to generate growth while simultaneously exiting selected positions.

Real Estate

The Group's interests in the real estate sector are managed through its subsidiaries Dimah Capital and Al Bilad Real Estate Investment. Dimah Capital accounted for approximately 6% of Al Imtiaz investment portfolio NAV and contributed approximately 8% of Al Imtiaz total revenue, 6% of EBITDA and 6% of its profit. Similarly, Al Bilad accounted for approximately 13% of Al Imtiaz investment portfolio NAV and contributed approximately 7% of Al Imtiaz total revenue, 7% of EBITDA and 5% of its profit.

At the end of 2018, Dimah Capital's portfolio comprised of 89 properties with total assets under management (AUM) of 1.1 USD billion an increase of more than 40% compared to 2017. The portfolio is well diversified geographically and by sector, 33% of the AUM is in hospitality, office at 25%, industrial at 15%, retail at 12%, multifamily at 7%, student housing at 5% and senior housing at 3%. Investments in Kuwait account for 44% of the net asset value followed by the US at 28%, Bahrain at 15% and the UK at 13%.

During 2018, Dimah achieved substantial escalation in its international (UK, US and Europe) real estate portfolio securing investments with an accumulated value of circa US 300 million. Dimah also increased its equity participation in US and UK real estate investments by USD 10.4 million. These transactions were diligently chosen to deliver attractive and steady returns, yielding annual cash-on-cash returns for investors ranging from 7.5%-9% with expected IRRs of 8.5%-11.5% respectively upon exit over a 3 to 5 years term. Al Bilad, management continued to improve occupancy levels, reduce operating and maintenance costs and reshape the portfolio to create value. During 2018, Al Bilad increased its equity participation in US real estate investments by circa USD 1.3 million and entered a new investment in the amount of Euro 10.2 million. Al Bilad also exited from local investment properties including land in Ahmadi, Kuwait for a value of KD 1.49 million resulting in no gain/loss from sales.

During 2018, a major undeveloped land bank co-owned by Dimah and Al Bilad was sold at a minor loss for circa KD 4.5 million. In turn, the cash generated was redeployed in income generating investments adding value and enhancing the return on shareholders' equity.

The merger of Dimah and Al Bilad was approved by the Board of Directors' of each company and received formal approval of the shareholders and regulatory authorities. This merger will result in the creation of a unique diversified and Sharia compliant international real estate platform. The combination of Dimah Capital's international client advisory services with Al Bilad's Real Estate investment portfolio across the GCC region, US and UK will result in joint synergies by way of improved financial leverage, cost savings, and improved risk adjusted returns through diversification of the investment portfolio. The new Dimah will have a paid-up capital of KD 44 million, a significant increase of KD 29 million over the current paid up capital of KD 15 million, and the merger will enable the new Dimah to streamline its organizational restructuring efforts whilst retaining in-depth industry expertise. The merger is expected to be completed by the end of Q1 2019

Pharmaceuticals

Al Imtiaz's investments in the pharmaceutical sector are managed through Al Ritaj Holding Company, which has two subsidiaries in Egypt; Delta Pharmaceutical Industries Company and Pharaonia Pharmaceuticals Company. Al Ritaj Holding accounted for approximately 6% of Al Imtiaz investment portfolio NAV and contributed approximately 17% of Al Imtiaz total revenue, 10% of EBITDA and 1% of its profit.

Al Ritaj subsidiaries in Egypt faced significant challenges during 2018. Sales were affected by a difficult environment in the local market. These challenges are expected to be transient and not structural in nature and were largely due to operational challenges with some distributors. Several initiatives were taken towards organizational restructuring, efficient assets utilization, and profitability enhancement. The management team has been focused on extracting synergies between the two subsidiaries. More importantly, focus was directed towards enhancing future exports sales to mitigate currency and other economic risks. Improving the export sales function is expected to require further investment. During 2018, Delta registered 10 new pharmaceutical products, whereas Pharonia added 11 new pharmaceutical products.

Energy and Construction/Contracting

The Group's investments in the energy and construction/contracting sector are through the Group's subsidiaries House of Trade Engineering and Contracting Company (HOTTEC), and Triple e Holding Company. HOTECC accounted for approximately 6% of Al Imtiaz investment portfolio NAV and contributed approximately 13% of Al Imtiaz total revenue, 15% of EBITDA and 7% of its profit. Similarly, Triple e accounted for approximately 7% of Al Imtiaz investment portfolio NAV and contributed approximately 10% of Al Imtiaz total revenue, 17% of EBITDA and 24% of its profit.

HOTECC signed 12 new projects in 2018 valued at approximately KD 20 million with various entities mostly focused around the oil and gas sector and civil. This increased the ongoing project backlog to circa KD 227.5 million. This will enable the company to continue to drive its near-term earnings growth as infrastructure and energy projects commence in line with Kuwait's 2035 National Development Plan.

Triple e has continued to build on its strategic relationship with the Chinese drilling company Sinopec by providing additional upstream oil and gas ancillary services in support of primary drilling activities. During 2018 Triple e continued with the formalities of establishing a joint venture with a US partner to offer rig movement activities and this should become completely operational at the end of H1 2019. In addition, Triple e signed up 3 new agency arrangements with companies providing oilfield services and products to widen its range of offerings. This brings the total agencies under Triple e's management to 10.

Al Imtiaz maintains a direct 47.0% equity ownership in Triple e and during 2018 changed its classification to associate.

Education

Al Imtiaz's investment in the education sector has been primarily in tertiary education through the Group's subsidiary Amman Arab University (AAU) based in Jordan. AAU accounted for approximately 3% of Al Imtiaz investment portfolio NAV and contributed approximately 5% of Al Imtiaz total revenue, a decrease in Al Imtiaz EBITDA of 1% and a decrease of 3% to Al Imtiaz profits.

During 2018, AAU continued reorganizational efforts with significant and tangible improvement in the internal controls and operational efficiency. In 2018, AAU became the first private university in Jordan to offer an undergraduate program in aviation engineering. Overall, the number of students totaled 2517 by year-end 2018.

AAU is a legacy asset in a sector that has a longer turnaround cycle and although the financial performance is still negative, it is on the path towards recovery.

F&B Processing and Packaging

In 2018, Al Imtiaz acquired an additional 49.4% stake in Majd Food Company that raised its total direct ownership to 61% and thereby enabling it to have a foothold in one of the growth industries identified by its new strategy. Majd Food accounted for approximately 3% of Al Imtiaz investment portfolio NAV and contributed approximately 1% of Al Imtiaz total revenue and contributed marginally (below 1%) to EBITDA and Profit.

Majd was founded in 1961 and is a leading food processing and packaging company in Kuwait, primarily engaged in the grinding and packaging of a wide variety of high-quality spices, grains and herbs. The company's key markets include Kuwait and GCC regions, with distribution extends across both wholesalers and retailers.

Al Imtiaz also commenced the process of reviewing Majd Food's strategy and reorganizing to put the company on a growth trajectory through the introduction of new products and market development. In line with that, during 2018, Majd Food entered into new markets including Bahrain thereby covering all GCC countries. Majd Food also introduced new products to diversify its offering including honey, sauces, jalapeno and brown sugar.

IT and Technology Services

Al Imtiaz acquired, through its wholly owned subsidiary Integrated Technology Holding Company (ITH), an IT and technology services company with operations across the GCC and MENA region for a value of KD 40.4 million. ITH through its subsidiaries provides best in class IT, professional audio visual and enterprise software solutions to both public and private sector companies employing over 1,600 professionals. ITH accounted for approximately 16% of Al Imtiaz investment portfolio NAV and contributed approximately 5% of Al Imtiaz total revenue, 3% of EBITDA and 1% of its profit.

Al Imtiaz is currently developing a new strategy for the company focused on regional expansion in the GCC and reorganizing along new business verticals including, managed services, computer aided engineering, enterprise software solutions and digital and emerging technologies. The strategy aims to position the company as a pioneer in advising, developing and integrating the latest digital products and solutions in digitization, internet of things and cybersecurity.

Other investments

The remaining circa 41% of the NAV of the investment portfolio is attributable to associate companies, real estate assets, various Financial assets at fair value through profit or loss at fair value through other comprehensive income. Al Imtiaz continues to evaluate opportunities to monetize non-income generating legacy assets to boost overall portfolio performance.

In 2018, Al Imtiaz gradually continued to exit its position in HumanSoft Holding Co. with a remaining stake of approximately 7.0% in the company. This successful exit provided additional liquidity to fund future acquisitions and for future investment opportunities in line with its growth strategy.

Capital Structure

Al Imtiaz's strategic plan involves the optimization of cash flows and leverage through a combination of disciplined capital management and operational excellence across the portfolio. Over the last few years, the Group was focused on reorganization and reduction of debt at the parent level, while allowing subsidiaries the flexibility to source the most cost-efficient capital for growth. This in turn has created further accountability for the use of capital at the portfolio companies' level and allowed management teams performance to be assessed with enhanced clarity.

For the period ended 31 December 2018, consolidated debt increased to KD 58.7 million from KD 25.9 million in the previous year. However, this increase was largely attributable to new debt facilities which were utilized to fund the acquisition in the IT services sector. The consolidated debt to equity ratio increased to 0.24x at the end of December 2018 from 0.11x at the end of December 2017.

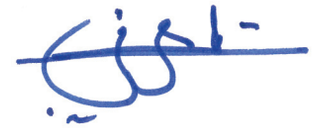
Al Imtiaz retains a strong and flexible capital structure for future investments and Capital Intelligence reaffirmed Al Imtiaz's long term corporate rating at BBB and A3 short-term with a positive outlook.

Strategic Direction

Al Imtiaz commenced execution of its updated strategic plan in 2018. The plan was underpinned by an extensive assessment of the portfolio's financial performance, near term industry trends, broad macroeconomic factors and merits of diversification. The hallmark of this new plan is to seek at least one to two new control opportunities annually across industry sectors that deliver EBITDA growth, and which will either lend synergy to our existing portfolio or provide geographic diversification across the GCC and MENA regions. In parallel, the Group continues to support existing management teams by investing in its core operating assets to fund accelerated growth provided disciplined return criteria are targeted. Additionally, the Group continues to exit positions to crystalize returns or where investments are no longer in line with the strategic plan. With the first year of the revised five-year growth plan now behind us, Al Imtiaz remains on the path of maximizing shareholder value.

Al Imtiaz, praise be to Allah, is proud to be one of the leading Sharia compliant investment groups in Kuwait. The Group continues to proactively implement industry best practices in terms of compliance with regulatory requirements and timely voluntary disclosures for the benefit of all our stakeholders.
With high growth plans in place, the Group also continues to prioritize the updating and strengthening of internal policies and procedures, updating the IT platform and investing in business infrastructure. Human capital is one of our most important assets and Al Imtiaz has a commitment to ongoing team development through various training initiatives as well as a strategic hiring process with a view to acquire the best talents in the industry.

On behalf of Al Imtiaz staff, management team, and myself, I would like to conclude by thanking our esteemed Shareholders, the honorable Board of Directors and their eminence the members of the Fatwa and Sharia Supervisory Board for their unrelenting support and guidance. Unified and confident, we look forward to 2019 and beyond with the grace and blessing of Allah, followed by our commitment to the creation of shareholder value.

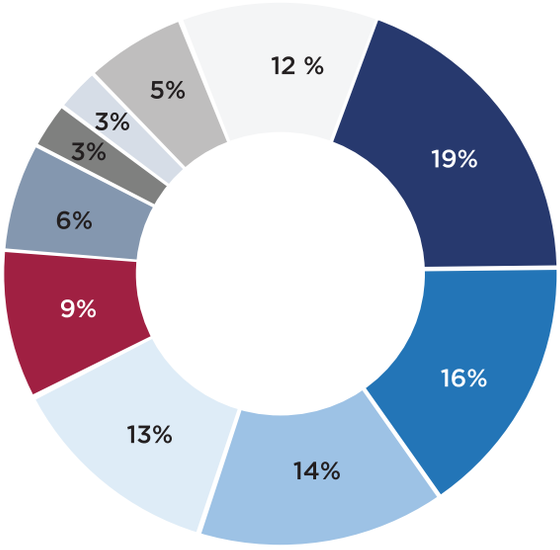


Nawaf H. Marafi
Group Chief Executive Officer

Portfolio Overview

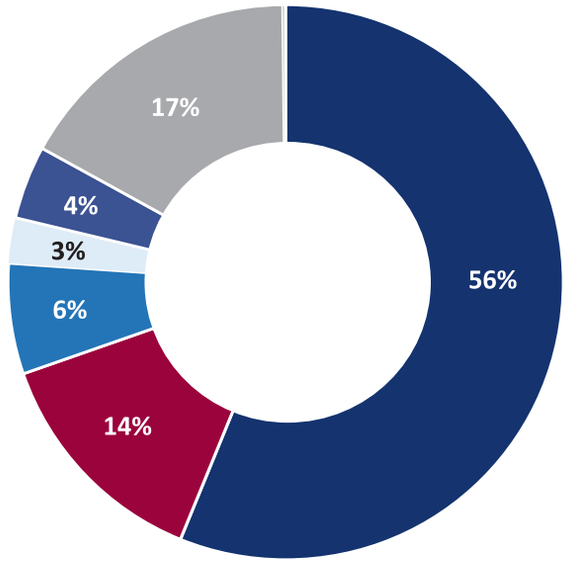
At year-end 2018, Al Imtiaz investment portfolio had a net asset value (NAV) of almost KD 259 million (circa USD 852 million). It is worthwhile noting that certain investments reflected in the NAV are not marked to market and are reported at book value. The portfolio is comprised of strategic core operating companies and subsidiaries that account for 59% of the total NAV. Investments in non-strategic associates accounted for 9% of the total portfolio NAV, investments in various real estate properties accounted for 14%, and other various investments and liquid assets accounted for 18% of the total portfolio NAV.

NAV by Industry



	NAV (KD Mn)
Real Estate Investment	49.7
IT & Technology Services	40.7
Real Estate Properties	37.0
Energy and Construction	32.6
Associates excluding Triple e	22.9
Pharmaceuticals	16.7
F&B Processing and Packaging	7.0
Education	6.8
Parent & Others	15.3
Cash & Equivalents	29.9
	258.5

NAV by Region



	NAV (KD Mn)
Kuwait	145.3
Liquid Assets	34.8
Egypt	16.7
Jordon	6.8
Bahrain	11.1
UAE	43.5
Other	0.5
	258.5

(NAV as on 31 December 2018)

Dimah Capital and Al Bilad Real Estate Investment

Dimah Capital Investment Company is a leading Sharia compliant investment company in Kuwait focusing on international real estate. It arranges investments where Dimah Capital can co-invest alongside its network of institutional and high net worth clients.

Al Bilad Real Estate Investment Company is one of the leading Sharia compliant real estate investment companies in Kuwait. Its vision and disciplined investment approach are focused on investing in low-risk opportunities with potential capital appreciation.

In 2018, the Boards of Dimah Capital and Al Bilad approved a merger between the two companies, subsequently, the transaction has received approval from regulatory authorities and shareholders of each company. The merger should be completed by Q1 2019. The new merged Dimah Capital will see its capital increase significantly from KD 15 million to KD 44 million to provide a uniquely diversified and Sharia compliant internationally focused real-estate platform.

Al Imtiaz has a 68.1% equity ownership in Dimah Capital, and it is accounted for as a subsidiary. The company is subject to the supervision of the Capital Markets Authority and the Central Bank of Kuwait. Al Imtiaz has a 67.6% equity ownership in Al Bilad which is accounted for as a subsidiary. Al Imtiaz's ownership in Dimah capital after the merger will be 67% and will be accounted for as a subsidiary.

Al Ritaj Holding Company

Al Ritaj Holding Company (RHC) is Al Imtiaz Investment Group arm in the pharmaceutical sector. RHC owns two pharmaceutical companies in Egypt, Pharaonia Pharmaceutical Company and Delta Pharmaceutical Industries Company, engaged in the production of branded generic pharmaceuticals. Pharaonia Pharmaceutical Company has around 2,000 employees and is based in Alexandria and Delta Pharmaceutical Company has around 800 employees and is based in Cairo. Both companies have a diverse product range which is well positioned for future growth. Their products are sold through a distribution network across Egypt and are currently exported to a number of countries.

Al Imtiaz has a 92.5% equity ownership in Al Ritaj which increased from 72.5% in 2017 and is accounted for as a subsidiary.

HOT Engineering and Construction Company

HOT Engineering and Construction Company is one of the leading multi-disciplined, engineering, construction and maintenance companies in Kuwait. HOTECC caters to the oil and gas, industrial, civil infrastructure, building construction and non-destructive testing industries. A majority of the order book is attributable to Government initiated projects.

The Kuwait National Development Plan aims to position Kuwait as a global hub for the petrochemical industry and increasing direct foreign investment significantly by 2035. With this economic background, the company is well positioned to strengthen its order book as infrastructure and energy capital spending plans are implemented in the coming years.

Currently, HOTECC employs over 3,500 persons. Al Imtiaz has a direct and indirect 50.7% equity ownership in HOTECC and it is accounted for as a subsidiary.

Triple e Holding

Triple e Holding Company is a provider of support services for oil and gas drilling operations. The company also represents a number of international oilfield service companies as an agent in Kuwait. As part of the oilfield construction and infrastructure development services, the company specializes in supplementary services to oil well drilling contractors such as rig transportation, leasing heavy equipment, water and fuel supply and waste water management.

Al Imtiaz maintains a 47.0% equity ownership in Triple e and is accounted for as an associate.

Amman Arab University

Amman Arab University was founded in 1999 to offer specialized graduate studies and was one of the first private universities in Jordan that offered graduate programs leading to master's degrees and doctoral degrees. The university is fully accredited by the Higher Education Accreditation Commission in Jordan, is a member of the Arab Universities Association and a member of International Universities Association.

The university offers eight faculties including Educational and Psychological Sciences, Business, Law, Computer Sciences and Information Systems, Arts and Sciences, Engineering and Pharmacy. In 2018, AAU was granted a license for a four-year undergraduate degree in aviation engineering, becoming the first university in Jordan to offer such a program.

Al Imtiaz has a direct and indirect 98.6% equity ownership in AAU and it is accounted for as a subsidiary.

Majd Food Company

Majd Food Company was founded in 1961 and is a leading food processing and packaging company in Kuwait engaged in grinding and packaging of a wide variety of high-quality spices, grains and herbs. The company's key markets include Kuwait and GCC regions.
Al Imtiaz has a direct and indirect 61.0% equity ownership in Majd and it is accounted for as a subsidiary.

Integrated Technology Holding Company

Integrated Technology Holding Company (ITH) through its subsidiaries provides best in class IT, professional audio visual and enterprise software solutions to both public and private sector companies. The company employs over 1,600 professionals and operates in the GCC and MENA regions.

Al Imtiaz has 100% control over ITH and it is accounted for as a subsidiary.

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Corporate Governance Report

In applying the governance system and managing the company, the Board of Directors of Alimtiaz follows the best scientific and business practices within a professional and ethical framework that attains the Company's objectives and protects the rights of its shareholders and stakeholders, always keeping in mind that this practice leads to the creation of a healthy and well-integrated corporate culture. Over the past five years, Alimtiaz was keen upon deepening the bases and foundations of corporate governance by making every effort to develop such frameworks and mechanisms most appropriate to the Company's activities and operations.

Board of Directors

The Board of Directors of Alimtiaz is responsible for managing the Company and undertakes effective leadership in addition to the functions assigned to the board committees and executive committees. These regulations serve as a document Binding to the board members and governs their performance throughout the term of their membership of the Company's board of directors. These regulations have been developed according to the governance requirements issued under the Executive Regulations of the Capital Markets Authority law as well as other relevant supervision requirements.

Alimtiaz Board of Directors consists of 7 members who are prominent businessmen and management and professional persons who possess diverse experience quite suited to the business of the Company, supported by a good knowledge of the relevant laws and regulations, with full awareness of the rights and duties of the Board of Directors. In addition, they have a deep understanding and thorough know-how with regard to the activities of the Company and all the risks to which its financial position are exposed. Alimtiaz Board of Directors is responsible for providing the strategic leadership needed for laying down the Company's vision and goals, as well as its effective management with a view to increasing its value in a profitable and steady manner and taking the important decisions within the Company.

Members of the Board of Directors

Khalid Sultan Ben Essa
Chairman of the Board of Directors - Non Executive

Mr. Ben Essa has an experience of more than 50 years in social, investment and economic work. He occupied the position of chairman of the boards of directors of several companies including HOT for Engineering and Constructions, Marine Contracting and Services Company, Al-Ahlia Investment Company and many other companies. He served as member of the Kuwait National Assembly for several terms. His career includes the chairmanship of the Board of Directors of Alimtiaz Group Investment Company from 2005 to 2010, and has been chairman of the Board of Directors Alimtiaz since 2013 until the present time.
Mr. Ben Essa holds a Bachelor degree in Aviation Engineering from Purdue University, USA in 1965 and a Master of Business Administration from Washington University, USA in 1966.

Abdullah Dekheel Al-Jassar
Deputy Chairman of the Board of Directors - Non Executive
Mr. Al-Jassar's experience spans more than 30 years in the financial, industrial and real estate sectors. In the course of his career he served as Deputy Chairman of Alimtiaz from 2005 to 2010, and has been the Deputy Chairman of Alimtiaz Group Investment Company since 2017 until the present time.
Mr. al-Jassar holds a Bachelor of Economics degree from Cairo University in 1971.

Ahmed Mohammed Boodai
Member of the Board of Directors - Non Executive
Mr. Boodai has an experience of more than 35 years in the field of real estate investment and banking services, having occupied the position of member of the Board of Directors of the Credit and Saving Bank and of Boubyan Bank, and has been a member of the Board of Directors of Alimtiaz Group Investment Company since 2013.
Mr. Boodai holds a Bachelor degree in Geography from Kuwait University in 1975.

Salman Mohammed Al-Muhannadi
Member of the Board of Directors - Non Executive
(representing Barwa Real Estate Company)
Mr. Al-Muhannadi has more than 30 years of experience in the financial, banking investment and real estate sectors. He occupied many positions and memberships including the positions of chief executive officer of Commercial Bank (Qatar), chief executive officer of QNB Capital, Deputy Chairman and Managing Director of Qatar Reinforcement Steel Production Company and chief executive officer of Barwa Group Real Estate Company.
Mr. Al-Muhannadi currently occupies the position of non-executive member of the Board of Directors of Alimtiaz Group Investment Company, representing Barwa Real Estate Company since 2018.

Tareq Ibrahim Al-Mansour
Member of the Board of Directors - Independent
Mr. Al-Mansour has more than 19 years of experience in the financial, investment and real estate sectors, having occupied the positions of member of the board of directors of the Union of Investment Companies and chairman of the board of directors of Al-Fanar Investment Company. He is currency member of the Board of Directors (independent) of Alimtiaz Group Investment Company, since 2013.
Mr. Al-Mansour holds a Bachelor degree in Business Administration from San Diego University, USA, in 1977.

Abdulrahman Mohammed Al-Khannah
Member of the Board of Directors – Independent
Mr. Al-Khannah is the chief executive officer of Investment Houses Group Holding Company and has more than 11 years of experience in the engineering and investment fields.
Mr. Al-Khannah holds a Bachelor Degree in Engineering from Kuwait University in 2006 and a Master Degree in Business Administration from the Gulf University for Science and Technology in 2011.

Mr. Nawaf Hussain Marafi
Member of the Board of Directors - Executive – Group Chief Executive Officer
Mr. Marafi has more than 21 years of professional experience, having worked in several sectors mainly in the fields of financial services and petroleum services. He is currently member of several boards of directors. He has been member of the Board of Directors Since October 2013 and Chief Executive Officer of Alimtiaz Group Investment Company since January 2014.
Mr. Marafi holds a Bachelor of Science Degree in Mechanical Engineering from Michigan State University, USA in 1996 and a Master of Business Administration (MBA) Degree with Honors from Cardiff University, United Kingdom, in 2005.

The Board of Directors Secretariat

The Board of Directors Secretariat at Alimtiaz Group Investment Company is responsible for keeping all the original minutes of meetings of the Board of Directors and of the board committees, the documents and papers related to these meetings and maintains a list of all the resolutions taken by the Board of Directors and the board committees. The Secretariat presents the minutes of meetings to all the Board members within five business days from the date of the meeting and ensures that they are approved by the members within 10 business days from the date of the meeting.

Meetings of the Board of Directors during 2018

	24/1	4/4	22/4	19/7	30/10	11/12
Mr. Khalid Sultan Ben Essa Chairman - Non Executive	✓	✓	✓	x	✓	✓
Mr. Abdullah Dekheel Al-Jassar Deputy Chairman - Non Executive	✓	✓	x	✓	x	✓
Mr. Ahmed Mohammed Boodai Member - Non Executive	✓	x	x	x	✓	✓
Mr. Salman Mohammed Al-Muhannadi Member - Non Executive	--	x	x	✓	✓	✓
Mr. Tareq Ibrahim Al-Mansour Member - Independent	✓	✓	✓	x	✓	✓
Mr. Abdulrahman Mohammed Al-Khannah Member - Independent	✓	✓	✓	✓	✓	✓
Mr. Nawaf Hussain Marafi Member - Executive (Group Chief Executive Officer)	✓	✓	✓	✓	✓	✓
Mr. Adel Abdullah Al-Abdulghani Member - Non Executive	✓	--	--	--	--	--

- In February 2018, Barwa Real Estate Company (Qatar) replaced its representative on the Board of Directors by appointing Mr. Salman Mohammed Al-Muhannadi to succeed Mr. Adel Abdullah Abdulghani.

(✓) Attendance (x) Absence

Main Activities and Achievements

1 Approving the amendments to the Company's manuals and policies in line with the instructions of the Capital Markets Authority.
2 Following up the Company's Strategic Plan and its achievements.
3 Following up the Budget for the financial year 2018.
4 Approving up the Budget for the financial year 2019.
5 Approving the amendments to the Company's organization structure according to the requirements of the regulatory authorities and the Company's new strategy.
6 Reviewing the Sharia audit reports presented by the Sharia Control Department for the financial year 2018.

Committees of the Board of Directors

The Board of Directors has established specialized committees to assist in performing the main functions and responsibilities entrusted to it. The Board approves the Charters governing the work of those committees as they specify the terms, authorities, functions, rights and responsibilities of the committees and the method they are supervised by the Board. The committees are formed pursuant to a resolution issued by the Board of Directors which appoints the members and specifies the committee chairman and the time the committee should start performing its functions.

Risk Management Committee

The basic function of the committee is to support the Board in exercising effective supervision of the performance of the Executive Management with regard to risk management, including, without limitation, strategic risks, market risks, compliance risks and operating risks. The Risk Management Committee develop and review the policies and procedures related to all matters pertaining to risk management in line with the Company's risk appetite.

Meetings of the Committee During 2018

	21/1	17/4	7/5	30/10	2/12
Mr. Ahmed Mohammed Boodai - Chairman	✓	✓	✓	✓	✓
Mr. Abdulrahman Mohamed Al-Khannah - Member	✓	x	✓	✓	✓
Mr. Tareq Ibrahim Al-Mansour – Member	✓	✓	✓	✓	✓

Main Activities and Achievements

1 Participating in laying down risk standards and limits and presenting relevant recommendations to the Board of Directors.
2 Reviewing the half-yearly reports of the Risks Officer and following up the plans designed to avoid, reduce, transfer or accept risks, following their execution and presenting recommendations and proposals concerning them to the Board of Directors.
3 Submitting proposals to the Executive Management and the Board of Directors concerning the development of risk management practices and methods within the Company in an effective manner.
4 Reviewing the results of risk assessment and presenting recommendations to the Board of Directors with regard to acceptable risk limits for the Company for approval.
5 Reviewing the study related to assets allocation and any updates thereto and verifying that they are in line with the approved risk aptitude.
6 Reviewing and presenting recommendations concerning the investment departments taking the associated risks into consideration.
7 Reviewing the matters raised by the Audit Committee and that may affect risk management at the Company.

Audit Committee

The Committee is responsible for assisting the Board of Directors in performing its obligations with regard to supervising the quality and soundness of the practices related to accounts, audit, internal control, Sharia control, financial report and the overall framework of governance within the Company in addition to the Company's relations with the external auditors and ensuring that they are and remain independent and unbiased.

Meetings of the Committee During 2018

	21/1	21/3	22/4	10/7	30/10	3/12	17/12
Mr. Abdulrahman Mohammed Al-Khannah - Chairman	✓	✓	✓	✓	✓	✓	✓
Mr. Ahmed Mohammed Boodai – Member	✓	✓	x	✓	✓	✓	✓
Mr. Tareq Ibrahim Al-Mansour – Member	✓	✓	✓	✓	✓	✓	✓

Main Activities and Achievements

1 Reviewing and approving the Company's Internal audit plan for 2018.
2 Coordinating with and following up the work of the external auditors, reviewing the interim and annual financial statements and presenting recommendations to the Board of Directors concerning them.
3 Reviewing and discussing the work of the Internal Audit Department and the implemented part of the audit plan.
4 Discussing the internal audit aspects related to information systems and technology and information security.

5 Discussing the results of the Internal control report.
6 Reviewing and discussing the letters of appointing the external auditors including the contractual conditions and professional fees and presenting recommendations to the Board of Directors with regard thereto in light of the services provided by them.
7 Reviewing the efficiency and independence of the Internal audit Department and the Internal auditor.
8 Performance evaluation of the Internal auditor and determining his remuneration.

Nominations and Remunerations Committee

The Nominations and Remunerations Committee is responsible for submitting recommendations concerning the nomination and re-nomination of members of the Board of Directors and the Executive management. The Committee is also responsible for drawing a clear policy that governs the mechanism of assessing the remuneration of the members of the Board of Directors and of the Executive Management in light of the long-term strategic objectives of the Company. In addition, the Committee approves the succession plan of the Company Management in emergency events or in the event where a position becomes vacant in an unexpected manner. Furthermore, the Committee supervises the training plan for the members of the Board of Directors and developing their skills related to the Company's business.

Meetings of the Committee During 2018

	21/1
Mr. Khalid Sultan Ben Essa – Chairman	✓
Mr. Ahmed Mohammed Boodai – Member	✓
Mr. Abdulrahman Mohammed Al-Khannah - Member	✓
Mr. Nawaf Hussain Marafi – Member	✓

The Main Activities and Achievements of the Committee

1 Reviewing and assessing the independence of the independent members of the Board of Directors.
2 Reviewing and approving the amendments to the human resources policy in line with the regulatory instructions.
3 Reviewing and approving the amendments to the remunerations policy in line with the regulatory instructions.
4 Preparing the annual remuneration report for the Board of Directors and the Executive Management.

The Executive Committee

The Executive Committee consists of members of the Board of Directors and has no standing duties / responsibilities. However, the Board of Directors is the body concerned with authorizing the Committee to perform a specific assignment whenever needed. The Committee meets to execute / take decisions related to the assignment entrusted to it by the Board and ensures that the results and the main decisions taken are reported to the Board to keeping the Board informed at all times of the results of the assignments entrusted to the Committee.

Meetings of the Committee During 2018

	28/3
Mr. Nawaf Hussain Marafi – Chairman	✓
Mr. Ahmed Mohammed Boodai – Member	✓
Mr. Tareq Ibrahim Al-Mansour – Member	✓

Code of Conduct

Alimtiaz is committed to maintaining the highest standards of professional work conduct and ethical values through the Code of Conduct of the Board of Directors and the Executive Management which reflects work practices and conduct principals that support this commitment.

The Charter has been prepared with the following considerations in mind:

- That every member of the Board of Directors should observe all the laws and regulations and represent all the shareholders seeking to serve the interests of the Company, of the shareholders and of the other stakeholders rather than the interests of a specific group only.
- That disclosures should be complete, fair, accurate, reasonable and meaningful, and be made in a timely manner within the periodical reports issued by the Company and required by the government and regulatory authorities.
- That there should be no abuse or misapplication of the Company's assets and resources.
- That the highest level of confidentiality and fair and unbiased dealing should be ensured both within and outside the Company.

Whistleblowing Policy

Alimtiaz is committed to the highest standards of transparency, integrity and responsibility. therefore, the Company has developed a whistleblowing policy that specifies the procedures and guideline principles for reporting any suspicious or violating conduct committed within the Company so that the necessary remedial action may be taken in a timely manner. This policy reflects the Company's commitment to the standards of professional and ethical conduct by helping in creating an environment that enables the Company's employees, members of the Executive Management and the members of the Board of Directors to express any concern or report any inappropriate conduct while protecting the whistleblower. This policy is a part of the Company's overall framework of governance.

Anti Money Laundering and Combating the Financing of Terrorism

The Manual of anti Money Laundering and Combating the Financing of Terrorism for Alimtiaz seeks to specify the concepts and procedures that prevent operations of money laundering and financing terrorist activities by helping all the members of the executive management and the employees of the company to understanding the legal requirements related to anti money laundering and Combating terrorism financing while taking all measures required to identify and prevent such activities at the Company.

Alimtiaz gives considerable attention to the holding of periodical training courses to board Members and all the Company's employees at all job levels in order to keep them informed of the most recent developments in money laundering and terrorism financing operations and the methods of detecting and combating them.

Stakeholders

Alimtiaz is committed to protect the rights of stakeholders and create a stable environment for work through ensuring the existence of a stable and strong financial condition for the Company. Respecting and protecting the rights of stakeholders should be achieved in accordance with the relevant laws applicable in the State of Kuwait, such as the Labor Law, the Companies Law in addition to the contracts made between the two parties and any additional undertakings that the Company assumes toward the stakeholders, because respecting their rights allows them to obtain actual compensations in the event where their rights are violated.

With this in mind, the Company's Board of Directors takes the responsibility for laying down a Policy that sets the standards for protecting and updating the rights of all stakeholders whenever appropriate in order to clarify changes in the basic provisions of the laws and regulations and the instructions issued by the regulatory authorities. The objective of this policy is to explain and clarify the efforts of the Company to protect the rights of all stakeholders.

Shareholders' Rights

Alimtiaz is committed to protect the rights of its shareholders in a way that guarantees serving the interests of both the shareholders and the Company. It is equally committed to ensure that all shareholders exercise their rights in a fair manner, that their rights are not violated or abused by the Company's Management or members of the Board of Directors or by the major shareholders. To this end, the Company is committed to enable the shareholders to exercise all their rights such as the right to obtain all the data and information related to the Company's activity and strategy, the right to participate in all the meetings of the general assembly of the shareholders, the right to vote on resolutions, the right to elect members of the Board of Directors and the right to obtain their share of dividend distributions.

Disclosure and Transparency

Alimtiaz is committed to comply with the rules and instructions issued by the Capital Markets Authority and the other regulatory authorities with regard to the making of accurate and realistic disclosures of all material information related to its business in an accurate and timely manner while being always fair and ensuring equality in providing equal rights of access to such information whether financial or non-financial and related to the financial position of the Company, performance and ownership made through appropriate means of disclosure, thereby enabling stakeholders to be informed of the position of the company in an integrated manner, while posting all the data and information of interest to the shareholders and investors on the Company's web site.

Social Responsibility

Alimtiaz is committed to aligning its business values and strategy with the social and economic needs, while the practices of social responsibility and ethical conduct are made part of the execution of every activity undertaken by the Company. Social responsibility indicates the company's consistent commitment to act in an ethical manner in accordance with the teachings of the Islamic Sharia, the laws, general custom and participation in achieving the sustainable development of society in general and the employees of the Company in particular through the activities and responsibilities undertaken by the company that may impact society or the environment in which the Company operates. These objectives are achieved by allocating part of its profits to spending on aspects of Sharia compliant and charity activities that benefit society as a whole.

The key social activities undertaken by Alimtiaz during 2018 include the following:

- Serving annual iftar meals during the holy month of Ramadan to the workers of Dhow Tower.
- Contributing to the Autism Endowment through the Kuwait Autism Society.
- Contributing to the Rehabilitation Programs for children with special needs through the Center for the Child Evaluation and Rehabilitating Center of Fawziah Al-Sultan Health Society.

Khalid Sultan Ben Essa
Chairman

Audit Committee's Report

on the Company's Operations for the Year-Ended December 31, 2018

Esteemed Shareholders of

Al Imtiaz Investment Group Company,

The Board Audit Committee undertook the responsibility of ensuring the soundness and integrity of the Company's financial reporting, as well as the effectiveness and adequacy of implemented internal control systems, in compliance with the regulatory authorities' requirements. The committee held seven meetings during 2018 and achieved the following:

1. Reviewed and approved the Company's Internal Audit plan.
2. Reviewed and discussed the internal audit plan's status and percentage of completion periodically.
3. Coordinated with external auditors and following-up on their works & reviewed the quarterly and annual financial statements, and provided related recommendations to the Board of Directors.
4. Reviewed and discussed all internal audit activities, including the audit aspects related to the information's systems, technology, and security.
5. Ensured that corrective actions are taken regarding the internal audit observations.
6. Reviewed the results of the regulatory authorities' reports and ensured that the respective corrective actions were taken.
7. Reviewed and discussed the results of the Internal Control Report (ICR).
8. Validated the Company's compliance with the related regulations, policies, and instructions.
9. Reviewed & discussed External Auditors' engagement letters, including contractual terms and professional fees, and provided relevant recommendations to the Board of Directors in light of the services provided.
10. Reviewed the efficiency and independency of the Internal Audit Unit with its Manager, and evaluated the Internal Audit Manager's performance & determined his remuneration.
11. Approved the Company's Sharia Audit plan.
12. Reviewed the results of Sharia Audit Department's reports and ensured that corrective actions are taken regarding the reports' observations.

Based on the Audit Committee's responsibilities executed during 2018, the Committee believes that the Internal Audit and control systems adopted and implemented by the Company are satisfactory and adequate.

May the blessings of Allah be upon our Master Muhammad, his Family, and his Companions,

Praise be to Allah, Lord of the Worlds.

Chairman of the Audit Committee	Committee Member	Committee Member
Abdulrahman Mohammad Al-Khannah	**Ahmad Mohammad Boudai**	**Tareq Ibrahim Al-Mansour**

Fatwa and Sharia
Supervisory Board Report

Praise be to Allah, and Peace and Blessings be upon our Prophet, and His Family and Companions.

Dear Shareholders of Al Imtiaz Investment Group,

May Allah's Peace, Mercy and Blessings Be upon you,

You have assigned us the task of reviewing the contracts and transactions completed by the Company during the period from 1 January 2018 to 31 December 2018. Our responsibility entailed expressing an independent opinion regarding the Company's compliance with the principles of Shari'a "Islamic Law" while carrying out its businesses activities.

The Sharia Supervisory Unit has completed its audits in accordance with the standards and regulations of the Accounting and Auditing Organization for Islamic Financial Institutions. This organization requires formal planning and execution of audits in order to ascertain all required information, explanations and acknowledgements to confirm the Company's compliance with the principles of Shari'a. We believe that the audit report and activities carried out by the Shari'a Supervisory Unit provides a satisfactory basis for expressing a reasonable opinion.

The execution of contracts and transactions in accordance with the principles of Shari'a is the sole responsibility of the Company's Management.

The Fatwa and Shari'a Supervisory Board certifies:

1. The Company has fulfilled its duties in executing contracts and transactions in accordance with principles of Shari'a for the period from 1 January 2018 to 31 December 2018.

2. All revenues resulted from sources or methods that are prohibited by Islamic Sharia have been set aside to be disposed of in charity.

3. Zakat calculation has been carried out in accordance with the principles approved by the Sharia'a Board, which decided that the Zakat balance of KWD 360,187.85 should be paid by Al-Imtiaz Investment Company for the financial year ended 31/12/2018. The calculation is based on decisions issued by the Fatwa and Sharia'a Supervisory Board. A deduction of KD 232,064 Has already been paid to the Ministry of Finance according to Law No. 46 of 2006 which regulates the payment of Zakat by publicly owned and closed companies as an advance Zakat to Zakat House for the year 2017. As for the remaining balance of KD 128,124 either the General Assembly of the Company shall appoint the Board of Directors of the Company to dispose of it under the supervision of the Fatwa and Sharia'a Supervisory Board or the shareholders of the Company shall pay the Zakat for each share, equivalent to KD 0.0001, if they are registered as investors as of 31/12/2018.

May Allah bless our Prophet Muhammad, His Family and Companions.

Praise be to Allah, Lord of the Worlds.

Fatwa and Sharia Supervisory Board Members

Dr. Naif Mohammad Al Ajami
Chairman

Dr. Nazem Mohammad Al Musbah

Prof. Sulieman Maarafie Safar

Dr. Khaled Shojaa Al-Otaibi

Prof. Ibrahim Abdullah Al-Sabaii

External Sharia Auditor's Report 2018

شورى للاستشارات الشرعية
Shura Sharia Consultancy

25th Jamada First, 1440 H
31st jan. 2019

In the Name of Allah,
the Most Merciful, the Most Compassionate

The Report of The External Sharia Audit

of Al Imtiaz Investment Group

Dear Shareholders of

Al Imtiaz Investment Group Company,

Alsalam Alaikum wa Rahmatu Allah wa Barakatuh.

In compliance with our appointment to undertake the duties of external sharia audit by **Al Imtiaz Investment Group (the Group)**, we hereby submit the following report:

First: Statement of Work

We have monitored and audited the principles used and contracts related to the transactions and applications carried out by the Group during the fiscal year ended 31 December 2018, in order to express our opinion as to whether the Group has complied with Islamic Sharia rules and principles according to the fatwas, decisions and specific instructions that were issued by the Group's Sharia Supervisory Board.

Second: Management's Responsibility

The Group's management is responsible for sharia compliance with Islamic Sharia rules and principles according to the fatwas, decisions and specific instructions that were issued by the Group's Sharia Supervisory Board in all its activities; and the management is also responsible to ensure that compliance.

Third: External Sharia Auditor's Responsibility

Our responsibility is to express an opinion on the Group's compliance with Islamic Sharia rules and principles based on our sharia audit. We conducted our sharia audit pursuant to the Capital Market Authority (CMA) instructions, the Governance Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and according to the fatwas, decisions and specific instructions that were issued by the Group's Sharia Supervisory Board.

Our responsibility requires that we comply with the ethical requirements, plan and perform the sharia audit to obtain reasonable assurance that the Group has complied with Islamic Sharia rules and principles of Islamic Sharia.

Fourth: Description of Work of External Sharia Audit

To perform the work assigned to us, we planned our sharia audit, and performed the audit works and procedures in a professional respectable manner. Our sharia audit procedures include an examination of the system of Sharia Supervision in the Group.

We also examined the Group's operations and securities' transactions and obtained all needed explanations and evidences to confirm that they were complied with the fatwas, decisions and specific instructions that were issued by the Group's Sharia Supervisory Board. Our work included review of the annual financial statements of the Group and related explanations.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our sharia audit opinion.

Fifth: Our opinion

In our opinion, the contracts and operations carried out by the Group during the fiscal year ended 31 December 2018, were conducted in sharia compliant manner with Islamic Sharia rules and principles and the fatwas, decisions and specific instructions that were issued by the Group's Sharia Supervisory Board.

God the Exalted is the best Trustee and best Reckoner.

Shura Sharia Consultancy

Abdul Sattar Ali Al Kattan

Financial Statements

For the year ended December 31, 2018

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Independent Auditors' Report

The Shareholders
Al Imtiaz Investment Group Company - K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We identified the following as key audit matters:

Valuation of investment properties

Investment properties as at December 31, 2018 amounting to KD 58,311,797 represent a significant part of the Group's total assets. The valuation of investment properties is a key audit matter because it contains significant judgments and assumptions that are highly reliant on estimates. The Group's policy is to evaluate investment properties at least once a year through licensed external valuers. These assessments, among other valuations,

are based on assumptions such as estimated rental income, discount rates, occupancy rates, market knowledge, developer risks and historical transactions. For the purpose of estimating the fair value of investment properties, valuers had used income capitalization and sales comparison valuation techniques, taking into consideration the nature and use of investment properties. We have reviewed the valuation reports issued by the licensed external valuers and have focused on the adequacy of disclosures of investment properties as provided in Note 14 to the consolidated financial statements.

Impairment testing of goodwill and intangible assets

Impairment testing of goodwill and intangible assets performed by the management through an external valuer was significant to our audit since assessment of the recoverable amount of goodwill and intangible assets under the value in use basis is complex and require significant judgments and estimates from the management. Estimated future cash flows are based on the views of the management on variables such as growth rates, discount rates, economic conditions, such as economic growth and expected inflation rates. Accordingly, impairment assessment of goodwill and intangible assets were identified as a key audit matter. Our audit procedures included obtaining the impairment assessment report, reviewing appropriateness of the valuation model used and reasonability of the key assumptions applied. Furthermore, we focused on the adequacy of disclosures included in Note 16 and Note 17 to the consolidated financial statements.

New business combination

During the year ended December 31, 2018, the Group acquired subsidiaries as detailed in Note 4. The Group's management assessed that the acquisitions qualified as a business combination and determined a provisional goodwill of KD 34,943,487. We considered this as a key audit matter due to significance of the transactions and resultant provisional goodwill balance which involves identification of the fair value of net assets acquired on the acquisition date. In addition, the valuation methodology applied involves significant area of judgement which is based on the inputs and assumptions, such as growth rate, business projections and discount rate. Our audit procedures included reviewing management's assessment whether the acquisition should be accounted for as a business combination, assessing the appropriateness of the valuation model used, identification of the net assets acquired and liabilities assumed at the acquisition date, testing the calculation of the goodwill arising from the acquisitions, and evaluating the adequacy of the disclosures as provided in Note 4 to the consolidated financial statements.

Other Information

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information attached to it, and we do not and we will not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Parent Company's management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either

intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial

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

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware, of any material violations, during the financial year ended December 31, 2018, of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of the Banking Business, and its related regulations. Also, in our opinion, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and the Organization of Security Activity, and its subsequent amendments and its Executive Regulations during the financial year ended December 31, 2018 that might have a material effect on the business or financial position of the Group.

Faisal Saqer Al Saqer
License No. 172-A
BDO Al Nisf & Partners

Nayef M. Al Bazie
Licence No. 91-A
RSM Albazie & Co.

State of Kuwait
January 23, 2019

Acknowledgment and Pledge

Dear Shareholders of Al Imtiaz Investment Group Company,

We hereby acknowledge and pledge as members of the Board of Directors of Al Imtiaz Investment Group Company that the financial earnings presented for the year ended December 31, 2018 are sound and accurate. The earnings cover every financial result and operational performance. We also assure that these earnings have been prepared following the international accounting standards approved by the Capital Markets Authority (CMA) in the State of Kuwait.

Name	Position	Title	Signature
Mr. Khalid Sultan Ben Essa	Chairman	Non-Executive Member	
Mr. Abdullah Dekheel Al-Jassar	Deputy Chairman	Non-Executive Member	
Mr. Ahmed Mohammed Boodai	Member of the Board	Non-Executive Member	
Mr. Tareq Ibrahim Al-Mansour	Member of the Board	Independent Member	
Mr. Salman Mohammed Al-Mohannadi	Member of the Board	Non-Executive Member	
Mr. Abdulrahman Mohammad Al-Khannah	Member of the Board	Independent Member	
Mr. Nawaf Hussain Marafi	Member of the Board	Executive Member	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

ASSETS	Note	2018	2017
Cash and cash equivalents	5	47,109,455	29,432,297
Term deposits	6	131,000	14,269,124
Financial assets at fair value through profit or loss ("FVTPL")	7	24,889,852	3,754,084
Accounts receivable and other debit balances	8	65,176,487	38,280,321
Other assets	9	10,446,956	8,859,430
Properties under development	10	2,372,779	12,277,779
Financial assets at fair value through other comprehensive income ("FVOCI")	11	24,890,011	-
Financial assets available for sale	12	-	54,414,761
Investment in associates	13	44,495,681	31,161,125
Investment properties	14	58,311,797	61,561,035
Property, plant and equipment	15	31,535,415	29,174,649
Intangible assets	16	16,654,728	13,082,348
Goodwill	17	43,910,008	8,914,635
Total assets		369,924,169	305,181,588
LIABILITIES AND EQUITY			
Liabilities:			
Bank facilities	18	7,275,770	5,596,165
Accounts payable and other credit balances	19	62,504,996	28,689,160
Finance lease obligation		1,551,769	424,964
Murabaha and Wakala payable	20	49,905,742	19,863,119
Provision for end of service indemnity		6,255,534	4,700,514
Total liabilities		127,493,811	59,273,922
Equity:			
Share capital	21	113,361,735	113,361,735
Share premium		34,108,277	34,108,277
Treasury shares	22	(9,856,539)	(8,232,657)
Statutory reserve	23	24,493,217	22,435,139
Voluntary reserve	24	10,263,258	8,205,180
Other equity items	25	(1,085,973)	931,460
Retained earnings		34,877,274	27,726,704
Equity attributable to shareholders of the Parent Company		206,161,249	198,535,838
Non-controlling interests	26	36,269,109	47,371,828
Total equity		242,430,358	245,907,666
Total liabilities and equity		369,924,169	305,181,588

The accompanying notes from (1) to (40) form an integral part of the consolidated financial statements.

Khalid Sultan Ben Essa
Chairman

Nawaf H. Marafi
Chief Executive Officer of the Group and Board Member

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

Revenue:	**Note**	2018	2017
Net investment income	27	3,747,963	2,540,905
Management, placement and subscription fees		3,694,984	4,096,309
Rental income		2,593,762	2,806,314
Net operating income from subsidiaries	28	19,662,619	16,568,711
Gain from partial sale of investment in an associate	13	11,429,567	41,640,923
Group's share of results from associates	13	6,987,274	5,924,205
Gain from purchase of additional shares in an associate		-	856,169
Gain from reclassification of a subsidiary to an associate	13	361,116	-
Gain on reclassification of associates resulting in subsidiaries		-	320,998
(Loss) gain on disposal / liquidation of subsidiaries	2	(61,684)	319,317
Change in fair value of investment properties	14	97,515	23,947
(Loss) gain on sale of investment properties	14	(162,424)	193,937
Gain on sale of properties under development	10	925,500	-
Return income		336,451	397,193
Foreign exchange gain (loss)		19,870	(446,393)
Other income		1,410,797	1,103,176
Total revenue		51,043,310	76,345,711
Expenses and other charges:			
General and administrative expenses	29	16,422,634	16,395,800
Selling and marketing expenses	29	3,257,383	2,427,943
Finance charges	30	3,091,294	2,084,968
Management, placement and subscription costs		1,547,905	372,188
Impairment loss and other net provisions	31	597,210	17,835,208
Depreciation and amortization	15,16	2,202,713	1,693,713
Total expenses and other charges		27,119,139	40,809,820
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		23,924,171	35,535,891
Contribution to KFAS		-	(161,533)
NLST		(442,145)	(797,630)
Zakat		-	(272,123)
Board of Directors' remuneration	35	(114,750)	(114,600)
Profit for the year		23,367,276	34,190,005
Attributable to:			
Shareholders of the Parent Company		20,023,880	30,849,114
Non-controlling interests		3,343,396	3,340,891
Profit for the year		23,367,276	34,190,005
Basic and diluted earnings per share attributable to shareholders of the Parent Company (fils)	32	19.24	29.63

The accompanying notes from (1) to (40) form an integral part of the consolidated financial statements.

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

(All amounts are in Kuwaiti Dinars)

	Note	2018	2017
Profit for the year		**23,367,276**	34,190,005
Net other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss			
Changes in fair value of financial assets available for sale		-	(63,169)
Reversal due to sale of financial assets available for sale		-	(285,226)
Exchange differences on translating foreign operations		(35,121)	(162,377)
Group's share of other comprehensive (loss) income from associates	13	(3,285,550)	3,498,595
Item that will not be reclassified subsequently to profit or loss			
Changes in fair value of financial assets at FVOCI	25	(2,277,141)	-
Property revaluation surplus	14	190,511	-
Net other comprehensive (loss) income for the year		(5,407,301)	2,987,823
Total comprehensive income for the year		17,959,975	37,177,828
Attributable to:			
Shareholders of the Parent Company		14,616,579	33,866,023
Non-controlling interests		3,343,396	3,311,805
Total comprehensive income for the year		17,959,975	37,177,828

The accompanying notes from (1) to (40) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company									
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other equity items	Retained earnings	Sub-total	Non-controlling interests	Total
Balance as at December 31, 2016	113,361,735	34,108,277	(8,232,657)	19,215,639	4,985,680	(192,118)	13,728,050	176,974,606	45,459,996	222,434,602
Effect of purchasing additional shares in subsidiaries	-	-	-	-	-	1,460,572	-	1,460,572	-	1,460,572
Effect of an associate resulting in a subsidiary	-	-	-	-	-	(3,353,903)	-	(3,353,903)	-	(3,353,903)
Cash dividends 10% (Note 35)	-	-	-	-	-	-	(10,411,460)	(10,411,460)	-	(10,411,460)
Transfer to reserves	-	-	-	3,219,500	3,219,500	-	(6,439,000)	-	-	-
Total comprehensive income for the year	-	-	-	-	-	3,016,909	30,849,114	33,866,023	3,311,805	37,177,828
Change in non-controlling interests	-	-	-	-	-	-	-	-	(1,399,973)	(1,399,973)
Balance as at December 31, 2017	113,361,735	34,108,277	(8,232,657)	22,435,139	8,205,180	931,460	27,726,704	198,535,838	47,371,828	245,907,666
Impact on adoption of IFRS 9 at January 1, 2018 (Note 3)	-	-	-	-	-	(448,892)	(1,469,132)	(1,918,024)	-	(1,918,024)
Balance as at January 1, 2018 (Restated)	113,361,735	34,108,277	(8,232,657)	22,435,139	8,205,180	482,568	26,257,572	196,617,814	47,371,828	243,989,642
Gain from sale of financial assets at FVOCI	-	-	-	-	-	140,415	-	140,415	-	140,415
Gain on transfer of financial assets at FVOCI to investment in a subsidiary (Note 4a)	-	-	-	-	-	892,086	-	892,086	-	892,086
Effect of purchasing additional shares in a subsidiary (Note 2b(iii))	-	-	-	-	-	(24,477)	-	(24,477)	-	(24,477)
Effect of changes in ownership interest in subsidiaries (Note 2b (ii-a))	-	-	-	-	-	(523,167)	-	(523,167)	-	(523,167)
Effect of reclassification of a subsidiary to an associate	-	-	-	-	-	3,353,903	-	3,353,903	-	3,353,903
Purchase of treasury shares	-	-	(1,623,882)	-	-	-	-	(1,623,882)	-	1,623,882)
Cash dividends 7% (Note 35)	-	-	-	-	-	-	(7,288,022)	(7,288,022)	-	(7,288,022)
Transfer to reserves	-	-	-	2,058,078	2,058,078	-	(4,116,156)		-	--
Total comprehensive (loss) income for the year	-	-	-	-	-	(5,407,301)	20,023,880	14,616,579	3,343,396	17,959,975
Change in non-controlling interests	-	-	-	-	-	-	-	-	(14,446,115)	(14,446,115)
Balance as at December 31, 2018	**113,361,735**	**34,108,277**	**(9,856,539)**	**24,493,217**	**10,263,258**	**(1,085,973)**	**34,877,274**	**206,161,249**	**36,269,109**	**242,430,358**

The accompanying notes (1) to (40) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	2018	2017
Cash flows from operating activities:		
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration	23,924,171	35,535,891
Adjustments:		
Net investment income	(3,747,963)	(2,540,905)
Gain from partial sale of investment in an associate	(11,429,567)	(41,640,923)
Group's share of results from associates	(6,987,274)	(5,924,205)
Gain from purchase of additional shares in an associate	-	(856,169)
Gain from reclassification of a subsidiary to an associate	(361,116)	-
Gain on reclassification of associates resulting in subsidiaries	-	(320,998)
Loss (gain) on disposal / liquidation of subsidiaries	61,684	(319,317)
Change in fair value of investment properties	(97,515)	(23,947)
Loss (gain) on sale of investment properties	162,424	(193,937)
Gain on sale of properties under development	(925,500)	-
Return income	(336,451)	(397,193)
Provision for end of service indemnity	984,904	1,071,833
Finance charges	3,091,294	2,084,968
Impairment loss and other net provisions	597,210	17,835,208
Depreciation and amortization	2,202,713	1,693,713
	7,139,014	6,004,019
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(7,351,851)	(3,135,707)
Other assets	(1,059,420)	(3,146,844)
Accounts payable and other credit balances	10,227,469	(909,075)
Cash generated from (used in) operations	8,955,212	(1,187,607)
Payment for end of service indemnity	(642,412)	(467,071)
Net cash generated from (used in) operating activities	8,312,800	(1,654,678)
Cash flows from investing activities:		
Term deposits	11,500,624	(9,861,624)
Net movement in financial assets at FVTPL	(2,238,278)	197,818
Net movement in financial assets at FVOCI	1,969,421	-
Net movement in financial assets available for sale	-	690,548
Net movement in investment in associates	12,992,458	48,130,375
Net movement in properties under development	10,830,500	(5,000)
Net movement in investment properties	4,701,893	283,619
Net movement in property, plant and equipment	(5,117,473)	(1,378,825)
Cash dividends received from associates	1,900,472	1,965,843
Paid for acquisition of investment in subsidiaries	(32,993,909)	-
Cash dividends received	2,412,447	2,256,264
Return income received	336,451	316,925
Net cash generated from investing activities	6,294,606	42,595,943

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTD.)
FOR THE YEAR ENDED DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

	2018	2017
Cash flows from financing activities:		
Bank facilities	1,679,605	2,805,508
Finance lease obligation	1,126,805	(12,981,307)
Murabaha and Wakala payable	29,059,762	(7,634,196)
Purchase of treasury shares	(1,623,882)	-
Finance charges paid	(2,373,930)	(1,436,036)
Cash dividends paid	(6,085,290)	(10,375,391)
Effect of additional investment in subsidiaries	-	(1,893,331)
Effect of change in non-controlling interests	(14,398,903)	(1,540,769)
Net cash generated from (used in) financing activities	7,384,167	(33,055,522)
Net increase in cash and cash equivalents	21,991,573	7,885,743
Cash related to business combinations / liquidation of subsidiaries (Note 4)	1,013,270	1,646,964
Cash related to reclassification of a subsidiary to an associate	(5,327,685)	-
Cash and cash equivalents at the beginning of the year	29,432,297	19,899,590
Cash and cash equivalents at the end of the year (Note 5)	47,109,455	29,432,297

The accompanying notes from (1) to (40) form an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

(All amounts are in Kuwaiti Dinars)

1. Incorporation and activities

Al Imtiaz Investment Group Company - K.S.C. (Public) (the Parent Company) (formerly known as Al Imtiaz Investment Company - K.S.C. (Public)) is a Kuwaiti public shareholding company registered in the State of Kuwait and was incorporated based on Memorandum of Incorporation under Ref. No. 2074 / Volume 1 dated April 6, 2005 and its subsequent amendments, the latest of which was notarized in the Commercial Register under Ref. No. 106905 dated November 12, 2014. The Parent Company is listed in Boursa Kuwait.

The main activities of the Parent Company are as follows:

a) Investing in real estate, industrial, agricultural and other economic sectors, by contributing to the establishment of specialized companies or buying its shares or bonds in various sectors.
b) Managing public and private institutions' funds and investing these funds in various economic sectors, including portfolio management and real estate.
c) Providing and preparing technical, economic, valuation studies, consultancy, and feasibility studies related to these companies and institutions and preparing the necessary studies for these institutions and companies.
d) Mediation in lending and borrowing operations.
e) Carrying out the functions of companies and organizations' Bonds issue managers, and the functions of custodians.
f) Financing and brokering in international trade operations.
g) Providing loans to others taking into account financial safety principles in loans granting, while maintaining the continuity of the safety of Company's financial position in accordance with the conditions, rules and limits established by the Central Bank of Kuwait.
h) Dealing and trading in foreign exchange and precious metals market in Kuwait and abroad, this activity is only for the Parent Company.
i) Operations related to trading of securities from shares of companies and local governmental bodies and international organizations to purchase and sale of bonds.
j) Carrying out all the services that help to develop and strengthen the capacity of the financial and cash market in Kuwait and to meet its needs, all within the limits of law and procedures or instructions issued by the Central Bank of Kuwait.
k) Mobilizing resources to Ijara financing and arranging group Ijara financing, especially for small and medium enterprises.
l) Owning, using and renting industrial property rights, patents, commercial and industrial trademarks, business graphics, intellectual property rights and related intellectual programs and literature to other institutions.
m) Establishing and managing investment funds for its own and on behalf of others, issuing its units for subscription and acting as custodian or investment manager for leasing and investment funds inside the State of Kuwait and abroad in accordance with laws and resolutions imposed in the country.

The Parent Company may conduct the above mentioned business in the State of Kuwait or abroad by its own or as an agent. The Parent Company may have an interest or to participate in any way with institutions practicing activities similar to its activities or which may assist the Parent Company in achieving its objectives in the State of Kuwait or abroad. It may establish, participate in, or acquire those institutions or have them affiliated to it to be conducted in accordance with the Islamic Sharia`a.

The Parent Company is regulated and supervised by the Central Bank of Kuwait ("CBK") for financing activities and the Capital Markets Authority ("CMA") as an investment company.

The Parent Company's registered address is P. O. Box 29050, Safat – Zip Code 13151 – State of Kuwait.

The Group's consolidated financial statements

comprise the financial statements of the Parent Company and its subsidiaries (the Group) (Note 2 b).

Total number of employees of the Parent Company as at December 31, 2018 is 59 (2017: 57 employees).

The consolidated financial statements were authorized for issue by the Parent Company`s Board of Directors on January 23, 2019. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ('IASB') and with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK") and the Capital Markets Authority ("CMA"). These regulations require adoption of all IFRSs as issued by IASB except for the measurement and disclosure requirements of expected credit losses (ECL) on credit facilities under IFRS 9: Financial Instruments. Accordingly, provision for credit losses on credit facilities is the higher of ECL under IFRS 9, determined in accordance with the CBK guidelines, and the provisions required by the CBK rules on classification of credit facilities and calculation of their provisions as described under the accounting policy for impairment of financials assets. Significant accounting policies are summarized as follows:

a) Basis of preparation

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

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

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

Standards and Interpretations issued and effective

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

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Kindly refer to Note (2b(ii)) and Note (3) for the effect of initially applying IFRS 9.

IFRS 15 - Revenue from Contracts with Customers

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

existing standards and interpretations upon its effective date:

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

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The adoption of this standard did not result in any change in the accounting policies of the Group and did not have any significant effect on the Group's consolidated financial statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

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

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments clarify that:

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

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

Amendments to IAS 40 – Transfers of Investment Property

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

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.

IFRIC 22 and amendments to IAS 28 and IAS 40 do not have any material impact on the consolidated financial statements.

Standards and Interpretations issued but not effective

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

IFRS 16 - Leases

This standard will be effective for annual periods beginning on or after January 1, 2019 and will be replacing IAS 17 "Leases". The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

Amendments to IFRS 9: Prepayment features with negative compensation

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

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28: Investments in Associates and Joint Ventures.
The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

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

IFRS 3 – Business Combinations

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

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

IAS 23 – Borrowing Costs

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

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

Amendments to the standards mentioned above are not expected to have any material impact on the consolidated financial statements.

b) Basis of consolidation

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

Name of the subsidiary	Country of incorporation	Principal activities	Percentage of holding (%) 2018	2017
Al Reyadah Holding Company - K.S.C. (Holding)	State of Kuwait	Holding	99	99
Al Imtiaz International Real Estate Company - K.S.C. (Closed)	State of Kuwait	Real Estate	99	99
Al Imtiaz Global Real Estate Company - K.S.C. (Closed)	State of Kuwait	Real Estate	99	99
Smarts Way Media - K.S.C. (Closed)	State of Kuwait	Media	99	99
Markets for Centralized Markets Company - K.S.C. (Closed)	State of Kuwait	Service	99	99
Al Imtiaz Leader for Equipment and Light and Heavy Machinery Company - Ali Ahmed Zubaid and Partner - W.L.L.	State of Kuwait	General trading	99	99
Al Khour Growth for Equipment and Light and Heavy Machinery Company - W.L.L.	State of Kuwait	General trading	99	99
Ethraa International for Consultation Services Company - K.S.C. (Closed)	State of Kuwait	Consulting	99	99
Al Khour Development for General Trading Company - W.L.L.	State of Kuwait	General trading	99	99
Imtiaz Qatar Company - W.L.L.	State of Qatar	Real Estate	99	99
I-Medica Healthcare Company - K.S.C. (Closed) ("i")	State of Kuwait	Medical	-	99
Al Imtiaz First Holding Company - K.S.C. (Holding)	State of Kuwait	Holding	99	99
Smarts Way Satellite Transmission Company - K.S.C. (Closed)	State of Kuwait	Media	99	99
Kuwaiti African Holding Company T.S.C. (Holding)	State of Tunisia	Holding	50	50
Al Dar Engineering and Contracting company - K.S.C. (Closed) (Note13 - b)	State of Kuwait	Contracting	50.69	87.50
Al Bilad Real Estate Investment Company - K.S.C. (Closed) **("ii-a , b")**	State of Kuwait	Investment property	67.62	68.62
Dimah Capital Investment Company - K.S.C. (Closed) **("ii-b")**	State of Kuwait	Investment	68.05	68.05
Education and Scientific Research Management and Development Company-W.L.L.	The Hashemite Kingdom of Jordan	Real Estate	85.90	85.90
Arab Foundation for Education, Scientific Research Management and Community Services (Amman Arab University) - W.L.L.	The Hashemite Kingdom of Jordan	Educational	98.60	98.60
Al Ritaj Holding Company – K.S.C. (Holding) ("iii")	State of Kuwait	Holding	92.47	72.47
Triple E Holding Company – K.S.C. (Holding) (Note 13 - b)	State of Kuwait	Holding	-	47
Majd Food Company – K.S.C. (Closed) (Note 4 - a)	State of Kuwait	Food processing	61	-
Integrated Technologies Holding Company – W.L.L. (Note 4 - b)	State of Kuwait	Holding	100	-

i. During the year ended December 31, 2018, the Group has signed a sale contract to dispose of its ownership interest in its subsidiary, I-Medica Healthcare Company - K.S.C. (Closed), thereby derecognising the subsidiary from Group's books after completing the necessary legal procedures and while retaining the Group's rights and obligations arising from the legal cases relating to the subsidiary and currently under review by the Court. The exit resulted in a loss of KD 61,684, which is included in the Group's consolidated statement of profit or loss.

ii-a. As at December 31, 2017, investment in Al Bilad Real Estate Investment Company - K.S.C. (Closed) includes 5,500,019 shares registered in the name of a former related party subject to a legal restraint to transfer the shares. During the year ended December 31, 2018, the "Court of Cassation" issued its verdict against the Group by refusing the transfer of the shares registered in the name of the related party to the Group. Accordingly, the Group's share in the subsidiary reduced from 68.62% to 67.62%. The Group recognized KD 523,167 which represents the impact arising from the change in ownership interest in the subsidiary in the consolidated statement of changes in equity.

ii-b. The Extraordinary Shareholders' General Assembly meeting of Al Bilad Real Estate Investment Company - K.S.C. (Closed) ("Al Bilad") held on November 25, 2018, approved to merge Al Bilad with Dimah Capital Investment Company K.S.C. (Closed) ("Dimah Capital") through the liquidation of Al Bilad and transferring Al Bilad's financial assets and financial liabilities to Dimah Capital in addition to appointing Mr. Hamed Ahmed Mohamad Al-Awadhi as the legal liquidator of Al Bilad for one year. This reorganization within the Group will not have any significant impact on the Group's consolidated financial statements as the merger are amongst entities under common control (both entities are subsidiaries to the Group).

iii. During the year ended December 31, 2018, the Group signed a contract with one of its associates (Al Ritaj Investment Company K.S.C. (Closed) for purchasing additional equity interest of 20% in its subsidiary - Al Ritaj Holding Company – K.S.C. (Holding) representing 40,335,726 shares amounting to KD 3,630,215. As a result, the Group's ownership interest in Al Ritaj Holding Company K.S.C. (Holding) has increased from 72.47% to 92.47%.

The Group consolidated its subsidiaries based on their financial statements as at September 30, 2018 with amendments for any material transactions for the period from October 1 up to December 31, 2018.

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

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

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

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

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or

does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

c) Financial instruments

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

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

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, term deposits, financial assets at fair value through profit or loss, accounts receivable, financial assets at fair value through other comprehensive income, bank facilities, accounts payable, finance lease obligation and Murabaha and Wakala payable.

A) Financial assets

Accounting policy effective January 1, 2018

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

accounting for financial assets and to certain aspects of the accounting for financial liabilities.

I. Classification of financial assets

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

Business model assessment

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

Initial recognition

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

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

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

Debt instruments at amortized cost

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

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

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

Cash and cash equivalents, term deposits, trade receivables, due from related parties and certain balances

in other assets are classified as debt instruments at amortized cost.

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

ii. **Term deposits**
Term deposits are placed with banks and have a contractual maturity of more than three months.

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

Debt instruments at FVOCI
The Group measures debt instruments at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to consolidated statement of profit or loss.

The Group classifies investments in quoted and unquoted bonds as debt instruments at FVOCI and includes them under financial assets at FVOCI in the consolidated statement of financial position.

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

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

Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the consolidated statement of changes in equity.

The Group classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

Financial assets at FVTPL
The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets

the requirements to be measured at amortized cost or at FVOCI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

The Group classifies investments in quoted equity investments and investment funds under financial assets at FVTPL in the consolidated statement of financial position.

II. Impairment of financial assets

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

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

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

For related party balances and inter-company loans, the Group has applied a forward looking approach wherein recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

Impact of the new impairment model
For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at January 1, 2018 results in an additional impairment allowance as follows:

	Amount (KD)
Loss allowance as at December 31, 2017 under IAS 39	3,181,577
Loss allowance as at January 1, 2018 under IFRS 9	5,099,601
Additional impairment recognised as at January 1, 2018 on accounts receivables, contract assets and other debit balances (Note 8)	**1,918,024**

Accounts receivable and contract assets
The following analysis provides further detail about the calculation of ECLs related to accounts receivable and contract assets on the adoption of IFRS 9. The Group considers the model and some of the assumptions used in calculating these ECLs as key sources of estimation uncertainty.

The ECLs were calculated based on actual credit loss experience over the past 3-5 years. The Group performed the calculation of ECL rates for its customers.

Exposures within each group were segmented based on common credit risk characteristics such as credit risk grade, geographic region and industry, delinquency status, age of relationship and type of product purchased where applicable.

Actual credit loss experience was adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECLs as at January 1, 2018.

	Weighted average loss rate (%)	Gross carrying amount (KD)	Credit impaired
Not due	1.19%	1,153,284	No
1-90 days past due	3.29%	11,669,341	No
91-180 days past due	27.69%	1,436,653	No
181-360 days past due	36.76%	1,042,409	No
Above 360 days past due	100%	2,771,212	Yes

Accounting policies applied until December 31, 2017
The Group has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

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

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

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

Subsequent measurement
Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortized cost using the effective interest method. Financial assets available for sale and financial assets at FVTPL were subsequently carried at fair value.

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

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

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

Details on fair value measurement of financial assets is disclosed in Note 39.

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

For debt securities, object evidence of impairment include significant financial difficulty of the issuer or counterparty, breach of contract, such as default or delinquency in interest and principal payments, it becoming probable that the borrower will enter bankruptcy or financial reorganization or the disappearance of an active market for the financial asset. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Impairment losses recognized for available for sale debt investments are reversed through consolidated statement of profit or loss if the increase in fair value can be objectively related to an event occurring after the impairment loss was previously recognized.

B) Financial liabilities

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

i. Accounts payable
Accounts payable include trade and other payables. Trade payables

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

ii. Borrowings

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

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

iii. Murabaha and Wakala payable

Murabaha and Wakala payable balances are reported with full credit balances after deducting finance charges amounts pertaining to future periods. Those finance charges balances are amortized on a time apportionment basis using effective return method.

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

C) Offsetting of financial assets and liabilities

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

d) Contract assets

Amounts due from (to) customers for contract work represents the net amount of costs incurred plus recognized profits, less the sum of recognized losses and progress billings for all contracts in progress. Cost comprises direct materials, direct labor and an appropriate allocation of overheads. For contracts where progress billings exceed costs incurred plus recognized profit (less recognized losses), the excess is included under liabilities. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included under trade receivables in the consolidated statement of financial position.

Amounts due from customers for contract work is assessed for impairment under the simplified approach in accordance with IFRS 9: Financial Instruments.

e) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period.

Gains or losses arising from changes in the fair value of investment properties are included in consolidated statement of profit or loss for the period in which they arise. Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

f) Properties under development

Properties under development are developed for future sale in the ordinary course of business by transfer to inventory properties, rather than to be held for rental or capital appreciation and are stated at the lower of cost or net realizable value. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed.

g) Investment in associates

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

The Group accounted for its share of results from associates based on audited financial statements of the associates as at September 30, 2018 with the amendment for any material transactions for the period from October 1 up to December 31, 2018.

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

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

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent

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

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired and determines if necessary, to recognize any impairment loss with respect to the investment. If this is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

h) Business combinations and Goodwill

(i) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

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

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain or loss is included in the consolidated statement of profit or loss or other comprehensive income as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9: Financial Instruments. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting in incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(ii) Goodwill

Goodwill represents the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previously held interest, over the fair

value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

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

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

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

i) Property, plant and equipment

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

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

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

	Years
Furniture and fixtures and others	5
Tools, equipment and computers	3
Vehicles	5
Buildings	25

Right of utilization of leasehold land is not depreciated and is stated at cost less impairment losses.

The useful life and depreciation method

are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

j) Intangible assets

Intangible assets are measured on initial recognition at cost, which comprises its purchase price, and any directly attributable cost of preparing the asset for its intended use.

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

Medical copyrights

Medical copyrights have indefinite useful life and are recorded at cost less impairment in value (if any).

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

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and impairment losses, on the same basis as intangible assets that are acquired separately.

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

k) Impairment of non-financial assets

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount,

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

l) End of service indemnity

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

m) Share capital

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

n) Share premium

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

o) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium respectively. Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

p) Other reserve

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

q) Share-based payment transaction

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

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

r) Revenue recognition

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

The five steps in the model are as follows:

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

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

Before adopting IFRS 15, the Group recognized revenue at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities net of discount, returns and volume rebates. The Group recognized revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

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

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

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

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

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

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

the Group is expensed as the amortization period of such costs is less than a year.

Revenue for the Group arises from the following activities:

(i) Manufacturing and sale of medical products
Performance obligations related to the Group's manufacturing and sale of medical products are satisfied at a point in time typically on delivery of the products as the Group predominantly manufactures those medical products to specific orders.

(ii) Educational services
Revenue from education services represent registration and tuition fees where revenue is earned over time throughout the educational year where performance obligations are generally satisfied within the financial period.

(iii) Rendering of services
Revenue from services is recognized when the service is rendered.

(iv) Contracting services
Revenues from engineering and construction contracts are recognised within the implementation period using the percentage of completion method in accordance with recognition criteria required by IFRS 15. The Group determined that the recognition criteria within the implementation period are still appropriate for its contracts on engineering and construction services.

(v) Rent
Rental income is recognized, when earned, on a time apportionment basis.

(vi) Return income
Return income is recognized, when earned, on a time apportionment basis by using the effective return method.

(vii) Management, placement and subscription fees
Revenue from management, placement and subscription fees is recognized when the service is rendered.

(viii) Dividend income
Dividend income is recognized when the right to receive payment is established.

(ix) Gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investments at the date of disposal and is recognized at the time of the sale.

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

(xi) Revenue on sale of properties
Revenue on sale of properties is recognized on the basis of the full accrual method as and when all of the following conditions are met:

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

(xii) Other income and expenses
Other income and expenses are recognized on an accrual basis.

Transition

On applying the requirements of IFRS 15, the Group has determined that no significant impact arises on its consolidated financial statements.

r) Provisions

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

s) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Finance lease - The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of return on the remaining balance of the liability. Finance charges are charged to the consolidated statement of profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs.

(ii) Operating lease - The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

u) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, National Labor Support Tax, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of income from Kuwaiti shareholding subsidiaries and associates and transfer to statutory reserve. No KFAS has been provided for the year ended December 31, 2018, since there was no taxable profit on which KFAS could be calculated.

v) National Labor Support Tax (NLST)

National Labor Support Tax (NLST) is calculated at 2.5% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of profit from associates listed in Boursa Kuwait, share of NLST paid by

subsidiaries listed in Boursa Kuwait, and cash dividends received from companies listed in Boursa Kuwait in accordance with Law No. 19 of 2000 and Ministerial Resolution No. 24 of 2006 and their Executive Regulations.

w) Zakat

Zakat is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associates and subsidiaries, share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial Resolution No. 58 of 2007 and their Executive Regulations. No Zakat has been provided for the year ended December 31, 2018, since there was no taxable profit on which Zakat could be calculated.

x) Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as financial assets at fair value through other comprehensive income are included in "cumulative changes in fair value" in other comprehensive income.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

y) Contingencies

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

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

z) Segment reporting

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

Aa) Dividend distribution to shareholders

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company

when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

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

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

Ab) Fiduciary assets

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

Ac) Critical accounting estimates and judgments

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

a) Judgments

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

(i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under 1FRS 15 and revenue accounting policy explained in Note 2r are met requires significant judgment.

(ii) Determination of contract cost

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

(iii) Classification of Land

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

a) Properties under development

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

b) Work in progress

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

c) Properties held for trading

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

d) Investment properties

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

(iv) Provision for doubtful debts and inventories
The determination of the recoverability of the amount due from customers and the marketability of the inventories and the factors determining the impairment of the receivable and inventories involve significant judgment.

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

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

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

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

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

(ix) Material non-controlling interests
The Parent Company's management considers any non-controlling interests which accounts for 20% or more of the related subsidiary's equity as material. Disclosures pertaining to those non-controlling interests are set out in Note 26.

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

b) Estimates and assumptions
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant

risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

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

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

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

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

(v) Provision for doubtful debts and inventories
The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is based on a forward looking ECL approach as explained in Note (2b(ii)). Bad debts are written off when identified.

The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

(vi) Valuation of investment properties
The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of profit or loss. The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13.

Two main methods were used to determine the fair value of the investment properties:

1. Income approach, where the property's value is estimated based on the income produced and is computed by dividing the property's net operating

income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

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

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

(viii) Employee stock option plan
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for stock option plan transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

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

3. Transition impact of adopting IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 are described below:

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

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain equity

instruments not held for trading as at FVOCI.

The following table summarizes the impact of transition to IFRS 9 and its impact on the opening balance of retained earnings.

(All amounts are in Kuwaiti Dinars)

	Note	Impact on adoption of IFRS 9 (KD)
Fair value reserve	25	(448,892)
Provision for doubtful debts	8	1,918,024
Retained earnings (net)		**(1,469,132)**

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

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

(All amounts are in Kuwaiti Dinars)

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Impact on adoption of IFRS 9
Financial assets				KD	KD	KD
Cash and cash equivalents		Loans and receivables	Amortised cost	29,432,297	**29,432,297**	**-**
Term deposits		Loans and receivables	Amortised cost	14,269,124	**14,269,124**	**-**
Equity securities - FVTPL	**("a")**	FVTPL	FVOCI	3,754,084	**3,754,084**	**-**
Accounts receivable and other debit balances	**("b")**	Loans and receivables	Amortised cost	30,608,224	**28,690,200**	**(1,918,024)**
Equity securities	**("c")**	Available-for-sale	FVOCI	33,054,580	**33,380,260**	**325,680**
Equity securities	**("d")**	Available-for-sale	FVTPL	21,360,181	**21,483,393**	**123,212**
Total				**132,478,490**	**131,009,358**	**(1,469,132)**

(a) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. At January 1, 2018, as a result of adoption of IFRS 9, the Group has made an irrevocable election to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the Group considered this to be more relevant.

(b) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of KD 1,918,024 in the allowance for impairment over these receivables was recognised in opening retained earnings at January 1, 2018 on transition to IFRS 9.

(c) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments 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.

(d) These financial assets represent investments that the Group intends to hold for short term trading purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL with all gains and losses recognised in profit or loss.

4. Business combinations

(a) During the year ended December 31, 2018, the Parent Company entered into a shares` sale agreement with one of its associates Al Ritaj Investment Company K.S.C. (Closed), to acquire 9,882,895 shares of Majd Food Company K.S.C. (Closed) ("Majd") representing 49.414% of Majd's share capital for a total consideration of KD 5,682,664. Accordingly, the Group's ownership interest in Majd increased to 61% resulting in the Group obtaining control over Majd. Re-measurement of the Group's previously held interest of 11.586% in Majd (previously classified under financial assets at FVOCI) at its fair value had resulted in a gain of KD 892,086 that has been recognised in equity under other equity items (Note 25).

The identifiable assets and liabilities of the subsidiary as at the acquisition date are as follows:

(All amounts are in Kuwaiti Dinars)

Assets	
Cash on hand and at banks	543,471
Deposits with Islamic financial institutions	120,000
Accounts receivable and other debit balances	1,277,554
Other assets	647,840
Property and equipment	390,224
Intangible assets	2,074,078
Goodwill	51,886
Liabilities	
Accounts payable and other credit balances	550,804
Murabaha payable	265,497
Provision for end of service indemnity	202,507
Net assets	4,086,245
Group's share of the net assets (61%)	**2,492,609**
Total acquisition consideration paid (49.414%)	5,682,664
Fair value of the Group's previously held interest in Majd as at the acquisition date (11.586%)	1,332,335
Total	**7,014,999**
Provisional Goodwill (Note 17)	**4,522,390**

(b) During the year ended December 31, 2018, the Parent Company by establishing Integrated Technologies Holding Company – W.L.L., acquired a company in one of the GCC countries, which operates in software solutions and information technology with 100% ownership interest amounting to KD 40,445,159 resulting in a provisional goodwill of KD 30,421,097. The Parent Company expects to complete the purchase price allocation exercise within twelve months from the acquisition date.

The identifiable assets and liabilities of the subsidiary as at the acquisition date are as follows:

(All amounts are in Kuwaiti Dinars)

Assets	
Cash on hand and at banks	469,799
Accounts receivable and other debit balances	19,646,077
Other assets	646,137
Property and equipment	390,175
Intangible assets	1,489,689
Liabilities	
Accounts payable and other credit balances	10,647,373
Provision for end of service indemnity	1,970,442
Net assets	10,024,062
Total acquisition consideration	40,445,159
Provisional Goodwill (Note 17)	30,421,097
Total acquisition consideration is represented by:	
	Kuwaiti Dinars
Total acquisition consideration paid during the year	30,453,586
Accounts payable and other credit balances - payable for acquisition of a subsidiary (Note 19)	9,991,573
Total acquisition consideration	**40,445,159**

5. Cash and cash equivalents

(All amounts are in Kuwaiti Dinars)

	2018	2017
Cash on hand and at banks	27,109,455	14,082,297
Short-term bank deposits	20,000,000	15,350,000
	47,109,455	29,432,297

The effective rate of return on short-term bank deposits is 2.75% (2017: 1.56% to 1.70%) per annum. These deposits have an average contractual maturity of 30 days (2017: 30 to 90 days).

6. Term deposits

The effective rate of return on term deposits ranges from 1.875% to 2.40% (2017: 1.875% to 1.950%) per annum. These deposits have an average contractual maturity ranging from one to five years (2017: 180 to 365 days).

7. Financial assets at fair value through profit or loss ("FVTPL")

(All amounts are in Kuwaiti Dinars)

	2018	2017
Investment funds	169,730	717,509
Investment portfolios	-	135,929
Unquoted securities	24,720,122	2,900,646
	24,889,852	3,754,084

At January 1, 2018, as a result of adoption of IFRS 9, the Group elected the following reclassifications:

- Reclassification of financial assets with a carrying value of KD 3,754,084 from financial assets at FVTPL to financial assets at FVOCI (Note 11).
- Reclassification of financial assets with a carrying value of KD 21,360,181 from financial assets available for sale to financial assets at FVTPL (Note 12).

Financial assets at FVTPL are denominated in the following currencies:

Currency	2018	2017
US Dollar	15,482,765	717,509
Omani Riyal	-	2,900,646
Pound Sterling	8,677,018	63,584
Kuwaiti Dinars	730,069	-
Others	-	72,345
	24,889,852	3,754,084

Financial assets at FVTPL was valued based on the valuation basis as described in Note 39.

8. Accounts receivable and other debit balances

(All amounts are in Kuwaiti Dinars)

	2018	2017
Due from related parties (Note 33)	2,565,765	1,480,841
Advance payments (a)	8,577,946	7,672,097
Contract receivables	14,704,627	7,356,228
Contract assets (b)	11,924,349	9,077,384
Retention receivables	5,017,087	4,256,772
Notes receivables	5,586,235	519,361
Trade receivables of subsidiaries	17,022,741	5,134,207
Staff receivables	534,997	242,026
Other debit balances	6,487,341	5,722,982
Provision for doubtful debts (c)	(7,244,601)	(3,181,577)
	65,176,487	38,280,321

(a) Advance payments include the following:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Advance payments to purchase investments	4,145,258	1,828,040
Advance payments to suppliers related to subsidiaries	4,432,688	5,844,057
	8,577,946	7,672,097

(b) Contract assets

Represents the gross amounts due from customers for contract work.

(c) Provision for doubtful debts

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

The movement in the provision for doubtful debts is as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Balance at the beginning of the year	3,181,577	3,151,746
Effect of applying IFRS 9 (Note 3)	1,918,024	-
Balance as of January 1, 2018 (Restated)	5,099,601	3,151,746
Effect of acquisition of subsidiaries	2,917,448	58,235
Effect of liquidation of subsidiaries	(74,886)	(1,860,631)
Effect of reclassification of a subsidiary to an associate	(95,628)	-
Provision (no longer required) charged (Note 31)	(601,934)	1,832,227
Balance at the end of the year	7,244,601	3,181,577

Accounts receivable and other debit balances are represented as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Current portion	56,612,666	33,417,032
Non-current portion	8,563,821	4,863,289
	65,176,487	38,280,321

9. Other assets

Other assets mainly include inventories related to the subsidiaries' operations amounting to KD 8,533,582 as at December 31, 2018 (2017: KD 7,098,300).

10. Properties under development

The movement during the year is as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Balance at the beginning of the year	12,277,779	14,487,444
Additions	-	5,000
Disposals (a)	(9,905,000)	-
Impairment loss (Note 31)	-	(2,214,665)
Balance at the end of the year	2,372,779	12,277,779

(a) During the year ended December 31, 2018, the Group sold a property under development with a carrying value of KD 9,905,000 for an amount of KD 10,830,500 that resulted in a gain of KD 925,500.

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Quoted securities	268,516	-
Unquoted securities	23,455,777	-
Funds and portfolios	1,165,718	-
	24,890,011	-

Financial assets at FVOCI comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income rather than profit or loss as these are strategic investments and the Group considered this to be more relevant.

At January 1, 2018, as a result of adoption of IFRS 9, the Group elected the following reclassifications:

- Reclassification of financial assets with a carrying value of KD 3,754,084 from financial assets at FVTPL (Note 7).
- Reclassification of financial assets with a carrying value of KD 33,054,580 from financial assets available for sale to financial assets at FVOCI (Note 12).

Financial assets at FVOCI are denominated in the following currencies:

(All amounts are in Kuwaiti Dinars)

Currency	2018	2017
Kuwaiti Dinar	8,345,508	-
US Dollar	2,878,850	-
Bahraini Dinar	9,476,797	-
Pound Sterling	75,837	-
Other currencies	4,113,019	-
	24,890,011	-

Financial assets at FVOCI with a carrying value of KD 11,514,584 are pledged against Murabaha and Wakala payable (Note 20).

Financial assets at FVOCI was valued based on the valuation basis as described in Note 39.

12. Financial assets available for sale

(All amounts are in Kuwaiti Dinars)

	2018	2017
Quoted securities	-	99,770
Unquoted securities	-	52,225,883
Funds and portfolios	-	2,089,108
	-	54,414,761

At January 1, 2018, as a result of adoption of IFRS 9, the Group elected the following reclassifications:

- Reclassification of financial assets with a carrying value of KD 21,360,181 to financial assets at FVTPL (Note 7).
- Reclassification of financial assets with a carrying value of KD 33,054,580 to financial assets at FVOCI (Note 11).

During the year ended December 31, 2017, the Group studied the regional and economic conditions in the region and obtained valuations from licensed valuers and a study from investment specialists in the Group for certain financial assets available for sale in that region. Accordingly, during the year ended December 31, 2017, the Group has recorded an impairment loss of KD 10,039,992 on financial assets available for sale (Note 31).

Financial assets available for sale are denominated in the following currencies:

(All amounts are in Kuwaiti Dinars)

Currency	2018	2017
Kuwaiti Dinar	-	22,245,844
US Dollar	-	14,368,267
Bahraini Dinar	-	9,248,580
Pound Sterling	-	8,500,691
Other currencies	-	51,379
	-	54,414,761

13. Investment in associates

(All amounts are in Kuwaiti Dinars)

Name of the associate	Country of incorporation	Principal activity	Ownership percentage % 2018	Ownership percentage % 2017	2018	2017
Al Ritaj Investment Company - K.S.C. (Closed)	State of Kuwait	Investment	49.81	49.81	6,196,860	6,344,674
Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	State of Kuwait	Insurance	30	30	2,370,116	2,497,221
Kuwait Real Estate Holding Company - K.S.C. (Holding)	State of Kuwait	Real Estate	32.23	32.23	2,830,149	3,937,602
Human Soft holding Company - K.S.C. (Holding) ("a")	State of Kuwait	Holding	7.005	9.98	4,448,984	5,326,509
National Company Consumer Industries - K.S.C. (Holding)	State of Kuwait	Holding	20.04	20.04	1,632,059	1,643,212
Kuwait & Asia Holding Company - K.S.C. (Holding)	State of Kuwait	Holding	41.14	41.14	9,551,959	11,411,907
Triple E Holding Company - K.S.C. (Holding) ("b")	State of Kuwait	Holding	47	-	17,465,554	-
					44,495,681	31,161,125

The movement during the year is as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Balance at the beginning of the year	31,161,125	41,567,490
Additions	-	525,598
Disposals (a)	(1,562,891)	(7,015,050)
Transferred to investment in a subsidiary	-	(12,277,831)
Transferred from investment in a subsidiary (b)	13,143,407	-
Group's share of results from associates	6,987,274	5,924,205
Gain from purchase of additional shares in an associate	-	856,169
Group's share of other comprehensive (loss) income from associates (Note 25)	(3,285,550)	3,498,595
Cash dividends received from an associate	(1,900,472)	(1,965,843)
Effect of non-controlling interests from other comprehensive (loss) income from associates	(47,212)	47,792
Balance at the end of the year	44,495,681	31,161,125

(a) During the year ended December 31, 2018, the Group partially sold its investment in an associate (Human Soft Holding Company K.S.C. (Holding)) for an amount of KD 12,992,458 resulting in a gain of KD 11,429,567 (2017: gain of KD 41,640,923) and recorded in the consolidated statement of profit or loss. Hence, the Group's investment in the associate reduced to 7.005% as at December 31, 2018. The Group continues to exercise significant influence in this associate. This influence is represented by the Group's ability to participate in the financial and operational decisions of the associate through its representation in the associate's Board of Directors.

b) During the year ended December 31, 2018, the Group lost control over its subsidiary Triple-E Holding Company K.S.C. (Holding) by virtue of losing majority of the voting rights in the subsidiary's Board of Directors but retains significant influence in the entity. Accordingly, the Triple E Holding Company K.S.C. (Holding) was reclassified from a subsidiary to an associate and resulted in a gain amounting to KD 361,116. Pursuant to the loss of control, the Group has ceased consolidating Triple E Holding Company K.S.C. (Holding). Consequently, the Group's ownership interest in the subsidiary (Al Dar Engineering and Contracting Company K.S.C. (Closed) has reduced from 87.5% to 50.69%, since this subsidiary was accounted as an investment in an associate in the books of Triple - E Holding Company K.S.C. (Holding) with a 36.81% ownership.

(c) Summarized financial information of material associates is as follows:

I. **Al Ritaj Investment Company - K.S.C. (Closed)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Assets		
Current assets	2,671,088	10,930,347
Non-current assets	13,582,704	5,793,629
Total assets	16,253,792	16,723,976
Liabilities		
Current liabilities	1,798,503	3,777,447
Non-current liabilities	42,470	208,778
Total liabilities	1,840,973	3,986,225
Net assets	14,412,819	12,737,751
Group's ownership percentage in Al Ritaj	49.81%	49.81%
Investment Company - K.S.C. (Closed)	7,179,025	6,344,674
Elimination of gain from an upstream transaction (a)	(982,165)	-
Carrying value of Al Ritaj Investment Company - K.S.C. (Closed)	6,196,860	6,344,674

(a) Represents elimination of gain from the sale of the associate's subsidiary to the Parent Company to the extent of the Group's ownership interest in the associate as per requirements of "IAS 28: Investments in Associates and Joint Ventures" and as explained in the accounting policy for associates in Note 2(g).

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Operating revenue	367,213	8,852,166
Operating costs	(1,667,429)	(3,159,160)
Other expenses	-	(2,922,295)
Other income	772,173	189,779
Net (loss) profit	(528,043)	2,960,490

II. **Human Soft Holding Company - K.S.C. (Holding)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Assets		
Current assets	59,289,256	51,730,741
Non-current assets	62,206,724	54,864,541
Total assets	121,495,980	106,595,282
Liabilities		
Current liabilities	42,314,177	39,226,645
Non-current liabilities	21,365,680	19,588,212
Total liabilities	63,679,857	58,814,857
Net assets	57,816,123	47,780,425

The following adjustments on the financial statements were done in order to arrive at the carrying value of the Group's share in Human Soft Holding Company - K.S.C. (Holding included in the consolidated financial statements.

(All amounts are in Kuwaiti Dinars)

	2018	2017
Net assets	57,816,123	47,780,425
Group's ownership percentage in Human	7.005 %	9.98 %
Soft Holding Company - K.S.C. (Holding)	4,050,019	4,768,486
Adjustments from goodwill	398,965	558,023
Carrying value of Human Soft Holding Company - K.S.C. (Holding)	4,448,984	5,326,509

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Operating revenue	67,905,944	59,558,774
Operating costs	(15,391,359)	(13,756,276)
Other expenses	(22,007,688)	(19,050,380)
Other income	811,101	273,174
Net profit	31,317,998	27,025,292
Cash dividends received from the associate	1,900,472	1,965,843

III. **Kuwait & Asia Holding Company - K.S.C. (Holding)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Assets		
Current assets	8,950,635	2,927,539
Non-current assets	14,611,376	25,069,022
Total assets	23,562,011	27,996,561
Liabilities		
Current liabilities	226,492	142,756
Non-current liabilities	117,340	114,605
Total liabilities	343,832	257,361
Net assets	23,218,179	27,739,200
Group's ownership percentage in Kuwait & Asia Holding Company K.S.C. (Holding)	41.14%	41.14%
Carrying value of Kuwait & Asia Holding Company K.S.C. (Holding)	9,551,959	11,411,907

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Operating revenue	1,069,604	865,820
Other income	41,243	692,517
Other expenses	(594,903)	(332,334)
Net profit	515,944	1,226,003

IV. **Triple E Holding Company - K.S.C. (Holding)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018
Assets	
Current assets	29,931,190
Non-current assets	10,361,495
Total assets	40,292,685
Liabilities	
Current liabilities	2,784,472
Non-current liabilities	347,460
Total liabilities	3,131,932
Net assets	37,160,753
Group's ownership percentage in Triple E Holding Company - K.S.C. (Holding)	47%
Carrying value of Triple E Holding Company - K.S.C. (Holding)	17,465,554

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

(All amounts are in Kuwaiti Dinars)

	2018
Operating revenue	352,283
Other income	11,045,723
Other expenses	(2,005,665)
Net profit	9,392,341

Certain associates are listed in Boursa Kuwait. The carrying amount of the Group's investment in these listed associates is KD 8,911,192 (2017: KD 10,907,323) and its market value is KD 29,944,118 as at December 31, 2018 (2017: KD 46,610,502).

14. Investment properties

The movement during the year is as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Balance at the beginning of the year	61,561,035	63,672,593
Disposals (a)	(4,673,806)	(89,682)
Transferred to property, plant and equipment (b)	(1,490,000)	(1,994,179)
Transferred from property, plant and equipment (c)	2,772,693	-
Change in fair value	97,515	23,947
Foreign currency translation adjustments	44,360	(51,644)
Balance at the end of the year	58,311,797	1,561,035

a) During the year ended December 31, 2018, the Group had sold certain investment properties with a carrying value of KD 4,673,806 for an amount of KD 4,511,382 that resulted in a loss of KD 162,424 recorded in the consolidated statement of profit or loss.

b) During the year ended December 31, 2018, the Group had reclassified investment properties with a carrying value amounting to KD 1,490,000 from investment properties to "property, plant and equipment" representing properties occupied by the Group (Note 15).

c) During the year ended December 31, 2018, the Group had reclassified property, plant and equipment with a carrying value amounting to KD 2,772,693 to investment properties as these properties are rented to others which resulting a revaluation surplus of KD 190,511 (Note 15).

Management of the Group has complied with the Executive Regulations of the Capital Markets Authority regarding the valuation of investment properties.

The fair value of investment properties as at December 31, 2018 has been determined by external licensed and certified valuers.

Investment properties include properties with carrying value amount of KD 31,013,570 pledged against Murabaha and Wakala payable (Note 20).

Investment properties with a fair value of KD 2,813,175 (2017: KD 2,798,797) located outside the State of Kuwait are registered in the name of another party and are recorded in favour of the Group based on a purchase contract.

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

2018 (All amounts are in Kuwaiti Dinars)

Class of investment property	Valuation technique	Level 2	Level 3	Total
Land	Sales comparison	13,950,699	-	13,950,699
Residential buildings	Income capitalization	-	8,075,000	8,075,000
Commercial buildings	Income capitalization	-	2,495,000	2,495,000
Commercial buildings	Sales comparison	33,791,098	-	33,791,098
Total		**47,741,797**	**10,570,000**	**58,311,797**

2017 (All amounts are in Kuwaiti Dinars)

Class of investment property	Valuation technique	Level 2	Level 3	Total
Land	Sales comparison	18,566,816	-	18,566,816
Residential buildings	Income capitalization	-	8,075,000	8,075,000
Commercial buildings	Income capitalization	-	2,495,000	2,495,000
Commercial buildings	Sales comparison	32,424,219	-	32,424,219
Total		**50,991,035**	**10,570,000**	**61,561,035**

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

15. Property, plant and equipment

(All amounts are in Kuwaiti Dinars)

	Furniture, fixtures and others	Tools, equipment and computers	Vehicles	Buildings	Land	Leasehold land right of utilization	Total
Cost:							
As at December 31, 2017	4,171,080	17,684,716	2,065,441	12,284,089	7,974,040	4,635,000	48,814,366
Effect of acquisition of subsidiaries (Note 4)	1,171,901	2,063,947	519,195	249,897	-	-	4,004,940
Effect of reclassification of a subsidiary to an associate	(148,743)	(45,901)	(295,385)	-	-	-	(490,029)
Transfer to investment properties (Note 14)	-	-	-	(3,007,281)	-	-	(3,007,281)
Transfer from investment properties (Note 14)	-	-	-	1,490,000	-	-	1,490,000
Additions	347,697	3,340,121	408,107	2,510,270	-	-	6,606,195
Disposals	(13,368)	(1,222,671)	(626,727)	(755,259)	-	-	(2,618,025)
Foreign currency translation adjustments	2,894	11,301	6,879	41,480	-	-	62,554
As at December 31, 2018	**5,531,461**	**21,831,513**	**2,077,510**	**12,813,196**	**7,974,040**	**4,635,000**	**54,862,720**
Accumulated depreciation:							
As at December 31, 2017	2,498,649	10,134,599	1,862,485	3,538,179	-	1,605,805	19,639,717
Effect of acquisition of subsidiaries (Note 4)	949,195	1,766,862	439,050	69,434	-	-	3,224,541
Effect of reclassification of a subsidiary to an associate	(148,743)	(45,901)	(243,693)	-	-	-	(438,337)
Related to transfer to investment properties (Note 14)	-	-	-	(234,588)	-	-	(234,588)
Charge for the year	122,325	1,074,425	105,045	794,465	-	-	2,096,260
Related to disposals	(8,314)	(412,295)	(431,006)	(128,268)	-	-	(979,883)
Foreign currency translation adjustments	2,890	2,720	1,844	12,141	-	-	19,595
As at December 31, 2018	**3,416,002**	**12,520,410**	**1,733,725**	**4,051,363**	**-**	**1,605,805**	**23,327,305**
Net book value:							
As at December 31, 2018	**2,115,459**	**9,311,103**	**343,785**	**8,761,833**	**7,974,040**	**3,029,195**	**31,535,415**
As at December 31, 2017	1,672,431	7,550,117	202,956	8,745,910	7,974,040	3,029,195	29,174,649

Right of utilization represents land leased by one of the Group's subsidiary from the "Public Authority for Industry" based on a contract to utilize the area in Subhan Industrial block, which will expire on April 5, 2019 and it is renewable.

Buildings includes capital work in progress with a carrying value of KD 147,054 represents building under construction on land leased from the Public Authority of Agriculture Affairs and Fish Resources in Al-Abdali area with a lease contract which will expire on April 18, 2036.

Property, plant and equipment includes propertied with a carrying value of KD 3,500,207 are pledged against Murabaha and Wakala payable (Note 20).

16. Intangible assets

(All amounts are in Kuwaiti Dinars)

	Medical copyrights	Trademark	Other	Total
Cost:				
As at December 31, 2017	20,709,027	-	52,797	20,761,824
Effect of acquisition of subsidiaries (Note 4)	-	1,791,623	4,088,738	5,880,361
Additions	-	-	114,965	114,965
As at December 31, 2018	**20,709,027**	**1,791,623**	**4,256,500**	**26,757,150**
Accumulated amortization:				
As at December 31, 2017	7,654,346	-	25,130	7,679,476
Effect of acquisition of subsidiaries (Note 4)	-	-	2,316,594	2,316,594
Charge for the year	-	-	106,453	106,453
Foreign currency translation adjustments	-	-	(101)	(101)
As at December 31, 2018	**7,654,346**	**-**	**2,448,076**	**10,102,422**
Net book value:				
As at December 31, 2018	**13,054,681**	**1,791,623**	**1,808,424**	**16,654,728**
As at December 31, 2017	13,054,681	-	27,667	13,082,348

Based on the impairment test of intangible assets (medical copyrights and trademark) performed by an external licensed valuer, there was no indication of impairment for the year ended December 31, 2018.

17. Goodwill

During the year ended December 31, 2018, the Group acquired a subsidiary through Integrated Technologies Holding Company – W.L.L. resulting in a provisional goodwill of KD 30,421,097 (Note 4-b). Also, during the year ended December 31, 2018, the Group acquired Majd Food Company – K.S.C.C. resulting in a provisional goodwill of KD 4,522,390 (Note 4-a). The Parent Company expects to perform purchase price allocation within twelve months from the acquisition date of the subsidiaries and expects the provisional amounts to be adjusted during the measurement period.

Additionally, the Group has performed impairment test of goodwill relating to the subsidiary Al Ritaj Holding Company - K.S.C. (Holding). The carrying value of goodwill is tested for impairment on an annual basis (or more frequently if evidence exists that goodwill might be impaired) by estimating the recoverable amount of the cash-generating unit ("CGU") using value-in-use calculations unless fair value based on active market price is higher than the carrying value of the CGU. The recoverable amount been determined based on a value in use calculation, using cash flow projections approved by senior management covering a five-year period. The discount rate of 19.65% is applied to cash flow projections over a five-year period and projected growth rate of 4%.

Based on the impairment test of goodwill performed by a licensed valuer, there was no indication of impairment for the year ended December 31, 2018.

18. Bank facilities

Bank facilities include facilities amounting to KD 7,236,256 granted to Delta Pharmaceutical Industries Company and Pharaonia Pharmaceutical Company (subsidiaries of Al Ritaj Holding Company – K.S.C.(Holding)) in the Arab Republic of Egypt from Egyptian banks which is

secured against promissory notes equivalent to KD 3,777,663 as at December 31, 2018 (2017: KD 3,490,895). These facilities are denominated in Egyptian Pound and carrying an average annual return rate of 1.25% (2017: 2.5%) per annum over the Central Bank of Egypt discount rate.

19. Accounts payable and other credit balances

(All amounts are in Kuwaiti Dinars)

	2018	2017
Due to related parties (Note 33)	5,962,668	387,953
Trade payables of subsidiaries	9,617,667	7,221,912
Accrued staff bonus	1,100,000	1,089,620
Accrued staff leave	1,533,876	1,456,383
Advances received from customers	14,981,311	6,901,374
Accrued expenses	7,354,740	3,966,787
Dividends payable	1,476,144	273,412
KFAS payable	160,912	167,822
NLST payable	1,222,817	1,001,768
Zakat payable	467,049	1,247,890
Board of Directors' remuneration payable	116,750	114,700
Payable for acquisition of a subsidiary (Note 4b)	9,991,573	-
Other credit balances	8,519,489	4,859,539
	62,504,996	28,689,160

Accounts payable and other credit balances are represented as follows:

	2018	2017
Current portion	39,182,774	27,794,556
Non-current portion	23,322,222	894,604
	62,504,996	28,689,160

20. Murabaha and Wakala payable

Murabaha and Wakala payable represent contracts with Islamic financial institutions and local and foreign banks with due date ranging from one months to seven years. The average annual cost rate of Murabaha and Wakala payable is ranging from 2.25% to 3.25% (2017: 2.75%) per annum over the Central Bank of Kuwait discount rate.

Murabaha payable of the Parent Company with a carrying value of KD 21,500,000 is secured by pledge of investment properties with a carrying value of KD 22,938,570 (Note 14) and property, plant and equipment with a carrying value of KD 3,500,207 (Note 15).

Murabaha payable of Al Bilad Real Estate Investment Company - K.S.C. (Closed) (a subsidiary of the Group) with a carrying value of KD 9,039,320 is secured by pledge of financial assets at FVOCI of KD 7,195,500 (Note 11) and investment properties with a carrying value of KD 8,075,000 (Note 14).

Murabaha payable of Dimah Capital Investment Company K.S.C. (Closed) (a subsidiary of the Group) with a carrying value of KD 1,650,000 is secured by pledge of financial assets at FVOCI of KD 4,319,084 (Note 11).

Murabaha payable of Al Ritaj Holding Company - K.S.C. (Holding) (a subsidiary of the Group) with a carrying value of KD 10,128,918 is secured against pledging its investment in the following subsidiaries:

Name of the subsidiary	No. of shares
Delta Pharmaceutical Industries Company (Delta Pharma) – S.A.E.	4,512,397
Pharaonia Pharmaceutical Company (Pharo Pharma) – S.A.E.	8,173,644

Murabaha and Wakala payable are represented as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Current portion	19,475,412	9,142,361
Non-current portion	30,430,330	10,720,758
	49,905,742	19,863,119

21. Share capital

The authorized, issued and paid up capital consists of 1,133,617,350 (2017: 1,133,617,350) shares with a nominal value of 100 fils each and all shares are paid in cash.

22. Treasury shares

(All amounts are in Kuwaiti Dinars)

	2018	2017
Number of shares (shares)	104,755,142	92,471,371
Percentage of issued shares (%)	9.24	8.16
Market value (KD)	14,037,189	14,610,477
Cost (KD)	9,856,539	8,232,657

The Parent Company's management has allotted an amount equal to treasury shares balance from the reserves as at December 31, 2018. This balance is not available for distribution during the Group's retention period of these treasury shares.

Treasury shares as at December 31, 2018 are not pledged.

23. Statutory reserve

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

24. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

25.Other equity items

(All amounts are in Kuwaiti Dinars)

	Employee stock option reserve	Fair value reserve of financial assets at FVOCI	Cumulative changes in fair value	Property revaluation surplus	Foreign currency translation reserve	Effect of changes in associates' equity	Effect of changes in ownership interest in subsidiaries' equity	Reserve for gain on disposal of financial assets at FVOCI	Total
Balance as at December 31, 2016	1,023,828	-	(224,404)	1,693,995	(3,592,813)	290,605	616,671	-	(192,118)
Effect of reclassification of an associate to a subsidiary	-	-	-	-	-	-	(3,353,903)	-	(3,353,903)
Effect of purchasing additional shares in Subsidiaries	-	-	-	-	-	-	1,460,572	-	1,460,572
Total comprehensive (loss) income for the year	-	-	(348,395)	-	(133,291)	3,498,595	-	-	3,016,909
Balance as at December 31, 2017	1,023,828	-	(572,799)	1,693,995	(3,726,104)	3,789,200	(1,276,660)	-	931,460
Impact on adoption of IFRS 9 (Note 3)	-	(1,021,691)	572,799	-	-	-	-	-	(448,892)
Balance as at January 1, 2018 ("Restated")	1,023,828	(1,021,691)	-	1,693,995	(3,726,104)	3,789,200	(1,276,660)	-	482,568
Gain from sale of financial assets at FVOCI	-	-	-	-	-	-	-	140,415	140,415
Gain on transfer of financial assets at FVOCI to an investment in a subsidiary (Note 4-a)	-	-	-	-	-	-	-	892,086	892,086
Effect of reclassification of a subsidiary to an associate (Note 13-c)	-	-	-	-	-	-	3,353,903	-	3,353,903
Effect of purchasing additional shares in a subsidiary	-	-	-	-	-	-	(24,477)	-	(24,477)
Effect of change in ownership interest in a subsidiary (Note 2)	-	-	-	-	-	-	(523,167)	-	(523,167)
Total comprehensive (loss) income for the year	-	(2,277,141)	-	190,511	(35,121)	(3,285,550)	-	-	(5,407,301)
Balance as at December 31, 2018	**1,023,828**	**(3,298,832)**	**-**	**1,884,506**	**(3,761,225)**	**503,650**	**1,529,599**	**1,032,501**	**(1,085,973)**

26.Principal subsidiaries with major non- controlling interests which are material to the Group

Subsidiaries with material non-controlling interests of the Group are presented as follows:

(All amounts are in Kuwaiti Dinars)

Name of the subsidiary	Country of incorporation	Principal activities	Ownership interest held by the non-controlling interests %		Carrying value of non-controlling interests in the subsidiary (KD)	
			2018	2017	2018	2017
Al Bilad Real Estate Investment Company K.S.C. (Closed)	State of Kuwait	Real Estate investment	32.38%	31.38%	16,668,516	16,672,354
Al Dar Engineering and Engineering and Contracting Company K.S.C. (Closed)	State of Kuwait	Contracting	49.31%	12.50%	7,253,158	1,663,582
Dimah Capital Investment Company K.S.C. (Closed)	State of Kuwait	Investment	31.95%	31.95%	6,970,551	7,153,687
Al Ritaj Holding Company K.S.C. (Holding)	State of Kuwait	Holding	7.53%	27.53%	3,332,329	7,148,627
Majd Food Company K.S.C. (Closed)	State of Kuwait	Food processing	39%	-	1,613,924	-

(a) Summarized financial information for subsidiaries that have non-controlling interests which are material to the Group:

I. **Al Bilad Real Estate Investment Company - K.S.C. (Closed)**
Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Current assets	17,567,358	5,319,461
Current liabilities	(10,461,804)	(8,207,196)
Net current assets	7,105,554	(2,887,735)
Non-current assets	44,412,908	56,071,119
Non-current liabilities	(40,650)	(52,874)
Net non-current assets	44,372,258	56,018,245
Net assets	51,477,812	53,130,510
Ownership interest held by the non-controlling interests	32.38%	31.38%
Non-controlling interests	16,668,516	16,672,354

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Net profit	1,674,962	2,261,858
Other comprehensive income	827,866	240,720
Total comprehensive income	2,502,828	2,502,578
Comprehensive income attributable to non-controlling interests	810,416	785,309

II. **Al Dar Engineering and Contracting Company K.S.C. (Closed)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Current assets	33,563,814	24,573,808
Current liabilities	(28,635,638)	(16,687,101)
Net current assets	4,928,176	7,886,707
Non-current assets	12,941,037	9,812,209
Non-current liabilities	(3,159,908)	(4,390,262)
Net non-current assets	9,781,129	5,421,947
Net assets	14,709,305	13,308,654
Ownership interest held by the non-controlling interests	49.31%	12.50%
Non-controlling interests	7,253,158	1,663,582

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Net profit	2,864,643	432,984
Other comprehensive (loss) income	(578,463)	397,322
Total comprehensive income	2,286,180	830,306
Comprehensive income attributable to non-controlling interests	1,127,315	103,788

III. **Dimah Capital Investment Company - K.S.C. (Closed)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Current assets	11,359,516	1,992,631
Current liabilities	(461,697)	(1,252,768)
Net current assets	10,897,819	739,863
Non-current assets	12,698,888	21,724,417
Non-current liabilities	(1,779,645)	(74,023)
Net non-current assets	10,919,243	21,650,394
Net assets	21,817,062	22,390,257
Ownership interest held by the non-controlling interests	31.95%	31.95%
Non-controlling interests	6,970,551	7,153,687

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Net profit	1,750,832	1,286,961
Other comprehensive income	2,922,377	2,666,832
Total comprehensive income	4,673,209	3,953,793
Comprehensive income attributable to non-controlling interests	1,493,090	1,263,237

IV. **Al Ritaj Holding Company - K.S.C. (Holding)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Current assets	16,170,027	14,196,923
Current liabilities	(13,387,914)	10,059,539)
Net current assets	2,782,113	4,137,384
Non-current assets	27,559,793	26,438,315
Non-current liabilities	(12,302,845)	(12,671,849)
Net non-current assets	15,256,948	13,766,466
Net assets attributable to shareholders of the Parent Company	18,039,061	17,903,850
Ownership interest held by the non-controlling interests	7.53%	27.53%
Non-controlling interests of Al Ritaj Holding Company - K.S.C. (Holding)	1,358,341	4,928,930
Non-controlling interests in subsidiaries of Al Ritaj Holding Company - K.S.C. (Holding)	1,973,988	2,219,697
Non-controlling interests	3,332,329	7,148,627

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

(All amounts are in Kuwaiti Dinars)

	2018	2017
Net profit	781,101	1,429,088
Other comprehensive income	691,345	398,090
Total comprehensive income	1,472,446	1,827,178
Comprehensive income attributable to non-controlling interests	110,875	503,022

V. **Majd Food Company - K.S.C. (Closed)**

Summarized consolidated statement of financial position:

(All amounts are in Kuwaiti Dinars)

	2018
Current assets	2,299,537
Current liabilities	(501,489)
Net current assets	1,798,048
Non-current assets	2,547,439
Non-current liabilities	(207,221)
Net non-current assets	2,340,218
Net assets	4,138,266
Ownership interest held by the non-controlling interests	39%
Non-controlling interests	1,613,924

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

(All amounts are in Kuwaiti Dinars)

	2018
Net profit	52,021
Other comprehensive income	-
Total comprehensive income	52,021
Comprehensive income attributable to non-controlling interests	20,288

27. Net investment income

(All amounts are in Kuwaiti Dinars)

	2018	2017
Unrealized gain (loss) on financial assets at FVTPL	1,148,217	(75,175)
Realized gain (loss) on sale of financial assets at FVTPL	143,176	(9,266)
Realized gain on sale of financial assets available for sale	-	369,082
Dividend income	2,456,570	2,256,264
	3,747,963	2,540,905

28. Net operating income from subsidiaries

Net operating income from subsidiaries represents gross profit from the main activities of the subsidiaries which is presented as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Engineering and construction	6,282,135	4,868,227
Sales and medical activities	8,023,899	8,985,683
Information technology	2,174,552	-
Education	2,759,011	2,714,801
Food sales	423,022	-
	19,662,619	16,568,711

29. General and administrative expenses

(All amounts are in Kuwaiti Dinars)

	2018	2017
Salaries, incentives, bonus and other employees' cost	9,976,708	8,667,914
Other general and administrative expenses	6,445,926	7,727,886
	16,422,634	16,395,800

Staff costs included in selling and marketing expenses amounted to KD 1,586,771 (2017: 1,400,651)

30. Finance charges

Finance charges are allocated as follows:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Murabaha and Wakala payable	2,745,583	1,947,130
Finance lease obligation	345,711	137,838
	3,091,294	2,084,968

31. Impairment loss and other net provisions

(All amounts are in Kuwaiti Dinars)

	2018	2017
Provision for doubtful debts (no longer required) charged (Note 8)	(601,934)	1,832,227
Provision for Murabaha receivables	-	623,751
Impairment of properties under development (Note 10)	-	2,214,665
Impairment of property, plant and equipment	-	2,078,160
Impairment loss on financial assets available for sale (Note 12)	-	10,039,992
Provision for slow-moving inventories	189,330	-
Debit balances written off	-	789,286
Tax provision of subsidiaries	-	98,202
Provision for legal cases	948,313	-
Other	61,501	158,925
	597,210	17,835,208

32.Basic and diluted earnings per share attributable to shareholders of the Parent Company

There are no potential dilutive ordinary shares. Basic and diluted earnings per share is computed by dividing the profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

(All amounts are in Kuwaiti Dinars)

	2018	2017
Profit for the year attributable to shareholders of the Parent Company	20,023,880	30,849,114
Number of outstanding shares:		
Number of issued and fully paid-up shares at the beginning of the year	1,133,617,350	1,133,617,350
Less: Weighted average number of treasury shares	(92,640,888)	(92,471,371)
Weighted average number of shares outstanding	1,040,976,462	1,041,145,979
	Fils	Fils
Basic and diluted earnings per share attributable to shareholders of the Parent Company	19.24	29.63

As there are no dilutive instruments outstanding, basic and diluted earnings per share attributable to shareholders of the Parent Company are identical.

33.Related party balances and transactions

The Group has entered into various transactions with related parties i.e. Major shareholders, Board of Directors, Key management personnel, Executive officers of the Group, Associates and Other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party balances and transactions are as follows:

(All amounts are in Kuwaiti Dinars)

		Associates	Major shareholders	Other related parties	2018	2017
(i)	**Balances included in the consolidated statement of financial position:**					
	Accounts receivable and other debit balances (Note 8)	-	1,122,484	1,443,281	2,565,765	1,480,841
	Provision for doubtful debts	-	-	(1,406,767)	(1,406,767)	(162,087)
	Net accounts receivable and other debit balances	-	1,122,484	36,514	1,158,998	1,318,754
	Accounts payable and other credit balances (Note 19)	5,363,162	34,210	565,296	5,962,668	387,953
	Murabaha and Wakala payable	1,191,096	-	-	1,191,096	-
(ii)	**Transactions included in the consolidated statement of profit or loss:**					
	Net investment income	-	-	371,168	371,168	6,531
	Rental income	144,906	-	-	144,906	45,276
	Finance charges	40,731	-	-	40,731	113,381
	Provision no longer required	-	-	216,634	216,634	-
(iii)	**Compensation to key management personnel:**					
	Salaries, incentives and remuneration				1,268,311	1,248,571
	End of service indemnity				70,398	64,193
	Post-employment benefits				68,993	44,039

The related party transactions are subject to approval by Shareholders of the Parent Company in the Annual General Assembly.

34.Fiduciary assets

The aggregate value of assets held in a trust or fiduciary capacity by the Parent Company as at December 31, 2018 amounted to KD 143,594,012 (2017: KD 149,987,579).

35.General Assembly, cash dividends and Board of Directors' remuneration

The Board of Directors' meeting held on January 23, 2019 proposed to distribute cash dividends of 8 fils per share and Board of Directors' remuneration amounting to KD 114,750 for the year ended December 31, 2018. These proposals are subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Annual General Assembly held on March 21, 2018 approved the consolidated financial statements for the year ended December 31, 2017, approved to distribute cash dividends of 7 fils per share amounting to KD 7,288,022 and approved the Board of Directors' remuneration amounting to KD 114,700 for the financial year ended December 31, 2017.

The Shareholders' Annual General Assembly held on April 17, 2017 approved the consolidated financial statements for the year ended December 31, 2016, approved to distribute cash dividends of 10 fils per share amounting to KD 10,411,460 and approved the Board of Directors' remuneration amounting to KD 105,550 for the financial year ended December 31, 2016.

36.Capital commitments and contingent liabilities

The Group was contingently liable in respect of the following:

a) Capital commitments

(All amounts are in Kuwaiti Dinars)

	2018	2017
Capital commitments of subsidiaries	1,950,211	2,414,420

b) Contingent liabilities

	2018	2017
Letters of guarantee	33,878,079	24,353,425
Letters of credit	1,926,611	1,988,136
	35,804,690	26,341,561

37.Segment reporting

Operating segments are identified on the basis of internal reports about the Group's components which are regularly reviewed by the chief operating decision maker so as to evaluate their performance. The management has classified the Group's products and services into the following operational segments "Operating Segments":

- Investment properties
- Financial investments
- Healthcare
- Education
- Oil and construction
- IT solutions and fintech
- Food sales
- Others (net)

The following information relates to the Group's segment reporting:

a) Segment revenues and results:

(All amounts are in Kuwaiti Dinars)

	Segment revenue		Segment profit	
	2018	2017	2018	2017
Investment properties	4,031,011	4,609,761	2,601,943	3,557,849
Financial investments	7,553,725	6,232,317	7,342,727	(9,310,142)
Healthcare	8,182,475	10,814,914	5,796,905	8,299,237
Education	16,803,309	48,014,526	16,803,309	47,862,146
Oil and construction	11,699,741	6,723,379	11,391,638	5,693,444
IT solutions and fintech	2,462,583	-	1,358,240	-
Food sales	300,886	-	52,021	-
Others (net)	9,580	(49,186)	(608,915)	(49,186)
Total	51,043,310	76,345,711	44,737,868	56,053,348
General and administrative expenses			(16,422,634)	(16,395,800)
Selling and marketing expenses			(3,257,383)	(2,427,943)
Depreciation and amortization			(2,202,713)	(1,693,713)
Others (net)			512,138	(1,345,887)
Profit for the year			23,367,276	34,190,005

b) Segment assets and liabilities:

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

	2018	2017
Segment assets:		
Investment properties	113,114,695	114,970,631
Financial investments	66,257,369	81,872,971
Healthcare	44,291,364	41,464,312
Education	13,756,080	14,400,669
Oil and construction	62,691,369	44,318,547
IT solutions and fintech	53,963,870	-
Food sales	4,846,976	-
Others	11,002,446	8,154,458
Total segment assets	369,924,169	305,181,588
Segment liabilities:		
Investment properties	10,635,703	8,263,821
Financial investments	12,648,719	643,889
Medical	24,767,670	19,657,369
Education	2,195,848	7,945,566
Oil and construction	38,147,134	22,755,570
IT solutions and fintech	38,385,486	-
Food sales	708,710	-
Others	4,541	7,707
Total segment liabilities	127,493,811	59,273,922

38.Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, term deposits, financial assets at FVTPL, accounts receivables, financial assets at FVOCI, bank facilities, accounts payable, finance lease obligation, Murabaha and Wakala payable and as a result is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

a) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, short term bank deposits, term deposits and accounts receivable.

Trade and contract assets

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

The expected loss rates are based on the payment profile for sales over the past 48 months or ageing profile of customers over the past 3 to 5 years before December 31, 2018 and January 1, 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

Cash at banks, short-term bank deposits and term deposits

The Group's cash at banks, short-term bank deposits and term deposits measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash, short term bank deposits and term deposits are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

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

The Group manages its credit facilities with the objective of ensuring that it is well diversified and it earns a level of return appropriate to the risk it assumes. In the normal course of business, the Group deploys its funds in various credit facilities, with the primary objective of generating profit for the shareholder. However, at the same time, the Group seeks to ensure the quality of the credit facilities. The Group continually strives to achieve an optimal balance between the return and the credit quality of the portfolio.

Maximum exposure to credit risk before collateral held or credit enhancements is as follows:

(All amounts are in Kuwaiti Dinars)

	Maximum exposure	
	2018	2017
Consolidated statement of financial position		
Cash and cash equivalents	47,109,455	29,432,297
Term deposits	131,000	14,269,124
Accounts receivable and other debit balances (except advance payments)	56,598,541	30,608,224
	103,838,996	74,309,645

Maximum geographical concentration exposure to credit risk

The maximum exposure of financial assets to credit risk as at the date of consolidated financial statements is as follows:

(All amounts are in Kuwaiti Dinars)

2018	GCC	Other Middle East, Africa and Europe	Total
Financial assets			
Cash and cash equivalents	45,399,764	1,709,691	47,109,455
Term deposits	131,000	-	131,000
Accounts receivable and other debit balances (except advance payments)	55,608,857	989,684	56,598,541
	101,139,621	2,699,375	103,838,996

2017	GCC	Other Middle East, Financial assets	Total
Africa and Europe			
Cash and cash equivalents	28,312,566	1,119,731	29,432,297
Term deposits	14,269,124	-	14,269,124
Accounts receivable and other debit balances (except advance payments)	18,231,404	12,376,820	30,608,224
	60,813,094	13,496,551	74,309,645

b) **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 or other investments that are readily realizable.

Liquidity risk management process

The Group's liquidity risk management process, as carried out within the Group includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met;
- Maintaining portfolios of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows;
- Monitoring consolidated statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

The following table shows the analysis of maturities for the assets and liabilities of the Group:

2018 (All amounts are in Kuwaiti Dinars)

	Up to 1 month	1 – 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	47,109,455	-	-	-	-	47,109,455
Term deposits	-	-	11,000	120,000	-	131,000
Financial assets at FVTPL	-	-	24,889,852	-	-	24,889,852
Accounts receivable and other debit balances	116,855	439,487	56,056,324	8,563,821	-	65,176,487
Other assets	-	-	9,936,692	510,264	-	10,446,956
Properties under development	-	-	-	2,372,779	-	2,372,779
Financial assets at FVOCI	-	-	-	24,890,011	-	24,890,011
Investment in associates	-	-	-	-	44,495,681	44,495,681
Investment properties	-	-	-	-	58,311,797	58,311,797
Property, plant and equipment	-	-	-	-	31,535,415	31,535,415
Intangible assets	-	-	-	-	16,654,728	16,654,728
Goodwill	-	-	-	-	43,910,008	43,910,008
Total assets	**47,226,310**	**439,487**	**90,893,868**	**36,456,875**	**194,907,629**	**369,924,169**
Liabilities						
Bank facilities	-	1,342,758	5,783,440	149,572	-	7,275,770
Accounts payable and other credit balances	367,708	107,903	38,707,163	23,322,222	-	62,504,996
Finance lease obligation	-	-	905,726	646,043	-	1,551,769
Murabaha and Wakala payable	2,401,404	1,333,599	15,740,409	19,142,830	11,287,500	49,905,742
Provision for end of service indemnity	-	-	-	6,255,534	-	6,255,534
Total liabilities	**2,769,112**	**2,784,260**	**61,136,738**	**49,516,201**	**11,287,500**	**127,493,811**

2017

(All amounts are in Kuwaiti Dinars)

	Up to 1 month	1 - 3 months	3 – 12 months	1 - 5 years	Over 5 years	Total
Assets						
Cash and cash equivalents	19,082,397	10,349,900	-	-	-	29,432,297
Term deposits	-	5,200,000	9,069,124	-	-	14,269,124
Financial assets at FVTPL	-	-	3,754,084	-	-	3,754,084
Accounts receivable and other debit balances	-	2,456,648	30,960,384	4,863,289	-	38,280,321
Other assets	-	-	8,319,150	540,280	-	8,859,430
Properties under development	-	-	-	12,277,779	-	12,277,779
Financial assets available for sale	-	-	-	54,414,761	-	54,414,761
Investment in associates	-	-	-	-	31,161,125	31,161,125
Investment properties	-	-	-	-	61,561,035	61,561,035
Property, plant and equipment	-	-	-	-	29,174,649	29,174,649
Intangible assets	-	-	-	-	13,082,348	13,082,348
Goodwill	-	-	-	-	8,914,635	8,914,635
Total assets	**19,082,397**	**18,006,548**	**52,102,742**	**72,096,109**	**143,893,792**	**305,181,588**
Liabilities						
Bank facilities	-	-	5,595,254	911	-	5,596,165
Accounts payable and other credit balances	-	454,858	27,339,698	894,604	-	28,689,160
Finance lease obligation	-	-	167,635	257,329	-	424,964
Murabaha and Wakala payable	-	-	9,142,361	10,720,758	-	19,863,119
Provision for end of service indemnity	-	-	-	4,700,514	-	4,700,514
Total liabilities	**-**	**454,858**	**42,244,948**	**16,574,116**	**-**	**59,273,922**

c) **Return rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of return rate. The effective return rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

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

2018	Increase (Decrease) in return rates	Balance on December 31 (KD)	Effect on consolidated statement of profit or loss (KD)
Short-term bank deposits	**±0.5%**	**20,000,000**	**±100,000**
Term deposits	**±0.5%**	**131,000**	**±655**
Bank facilities	**±0.5%**	**7,275,770**	**±36,379**
Finance lease obligation	**±0.5%**	**1,551,769**	**±7,759**
Murabaha and Wakala payable	**±0.5%**	**49,905,742**	**±249,529**
2017			
Short-term bank deposits	±0.5%	15,350,000	±76,750
Term deposits	±0.5%	14,269,124	±71,346
Bank facilities	±0.5%	5,596,165	±27,981
Finance lease obligation	±0.5%	424,964	±2,125
Murabaha and Wakala payable	±0.5%	19,863,119	±99,316

d) **Foreign currency risk**

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

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

2018	Increase (Decrease) against (KD)	Effect on statement of profit or loss (KD)	Effect on consolidated other comprehensive income (KD)
US Dollar	**±5%**	**±867,242**	**±18,920**
Qatari Riyal	**±5%**	**±162**	**-**
Omani Riyal	**±5%**	**±108,484**	**±104,687**
Bahraini Dinar	**±5%**	**±574,063**	**±679,801**
UAE Dirham	**±5%**	**±280,323**	**±1,591,635**
Others	**±5%**	**±60,479**	**±1,068,965**
2017			
US Dollar	±5%	±43,032	±718,413
Qatari Riyal	±5%	±106	-
Omani Riyal	±5%	±260,338	-
Bahraini Dinar	±5%	±660,611	±462,429
Others	±5%	±1,046,293	±1,065,640

e) **Equity price risk**

Equity price risk is a risk that the value of a financial instruments will fluctuate as a result of changes in the level of equity indices and the value of individual stocks, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group manages this risk through diversification of investments in terms of geographical distribution and operation concentration.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the consolidated financial statements:

	2018		2017	
Market indices	**Change in equity instrument price %**	**Effect on consolidated other comprehensive income (KD)**	Change in equity price %	Effect on consolidated other comprehensive income (KD)
Boursa Kuwait	**±5%**	**±7,867**	±5%	±4,989

39.Fair value measurement

The Group measures financial assets such as financial assets at FVTPL and financial assets at FVOCI and non-financial assets such as investment properties at fair value at each reporting period.

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

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

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

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

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

(All amounts are in Kuwaiti Dinars)

2018	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Investment funds	-	169,730	-	169,730
Unquoted securities	-	-	24,720,122	24,720,122
Financial assets at FVOCI:				
Quoted securities	268,516	-	-	268,516
Unquoted securities	-	-	23,455,777	23,455,777
Funds and portfolios	-	1,165,718	-	1,165,718
Total	**268,516**	**1,335,448**	**48,175,899**	**49,779,863**

2017	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Investment funds	-	717,509	-	717,509
Investment portfolios	-	135,929	-	135,929
Unquoted securities	-	-	2,900,646	2,900,646
Financial assets available for sale:				
Quoted securities	99,770	-	-	99,770
Unquoted securities	-	-	49,930,544	49,930,544
Funds and portfolios	-	2,089,108	-	2,089,108
Total	**99,770**	**2,942,546**	**52,831,190**	**55,873,506**

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

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

The fair value details of investment properties is mentioned in Note 14.

40.Capital risk management

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

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

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

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