# ANNUAL REPORT 2018


Pine Cliffs Resort, Portugal

## Contents

H. H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Emir of the State of Kuwait

H. H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince of the State of Kuwait

# IFA Hotels & Resorts a leading international developer of mixed-use resorts

**31 Projects**

**13 Countries**

**4 Continents**

**Over 9,000 keys**


Fairmont Zimbali Lakes, South Africa

**Project Highlights:**

**Middle East**
Balqis Residence, Palm Jumeirah, Dubai
Residences, Palm Jumeirah, Dubai
Fairmont The Palm, Dubai
Fairmont Heritage Place, The Palm, Dubai
The 8, Palm Jumeirah, Dubai
The Palm Residence, Dubai
Laguna Tower, Dubai
Mövenpick Hotel Jumeirah Lakes Towers
Alabadiyah Hills, Lebanon
Delano, Palm Jumeirah, Dubai

**Africa & Indian Ocean**
Entabeni Private Game Reserve, South Africa
Fairmont Zimbali Lodge, South Africa
Fairmont Zimbali Resort, South Africa
Fairmont Heritage Place, Zimbali, South Africa
Zimbali Coastal Resort, South Africa
Zimbali Lakes Resort, South Africa
Zimbali Office Estate, South Africa
Legend Golf & Safari Resort, South Africa
Zanzibar Beach Hotel
Zebra Lodge, South Africa
Zimbali Boulevard Suites, South Africa

**Europe & North America**
Pine Cliffs Resort, Portugal

Fairmont The Palm, Dubai

# Financial Year Results Ending December 31, 2018

**Net Profit (KD)**
**(19,251,197)**

**Earning Per Share (Fils)**
**(31.65)**

| | 2018 | 2017 |
|---|---|---|
| Currency | KD | KD |
| Total Income | 15,920,919 | 29,294,347 |
| Shareholders Equity | 40,991,283 | 63,188,694 |
| Net Profit | (19,251,197) | (5,524,919) |
| Earnings Per Share (Fils) | (31.65) | (9.08) |
| Total Assets | 344,748,557 | 286,390,683 |

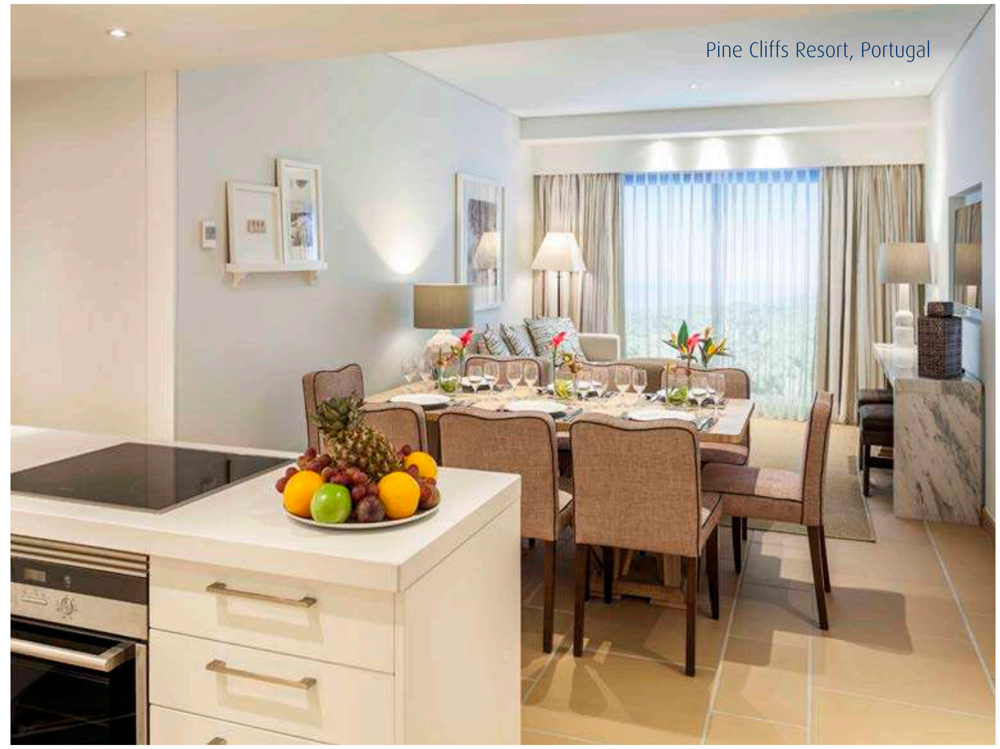
| | 2018 | 2017 |
|---|---|---|
| Currency | USD | USD |
| Total Income | 52,518,288 | 96,603,433 |
| Shareholders Equity | 135,217,823 | 208,376,202 |
| Net Profit | (63,503,866) | (18,219,424) |
| Earnings Per Share (Cents) | (104.40) | (29.94) |
| Total Assets | 1,137,221,036 | 944,425,323 |

## Board Members

**Talal Jassim Al-Bahar – Chairman**
**Ibrahim Saleh Al-Therban – Vice Chairman**
**Marzouq Jassim Al-Bahar – Director**
**Bandar Sulaiman Al-Jarallah – Director**
**Emad Abdullah Abdullrahman Al-Essa – Director**
**Pedro Manuel Vilas Boas - Director**

# Message from the Chairman and Vice Chairman


THE8, Dubai


Pine Cliffs Resort, Portugal

**Dear Shareholders,** For the fiscal year 2018, IFA Hotels & Resorts recorded year end revenue of KD57,056,511 (US$188,212,143), with a net loss attributable to the Owners of the parent company totaling KD19,251,197 (US$ 63,503,866) which is 31.65 fils per share.

Shareholders' equity decreased to KD40,991,283 (US$135,217,823), while the company's total assets increased by 20% to KD344,748,577 (US$1,137,221,036) compared to KD286,390,683 (US$944,425,323) for 2017.

The region has continued to see only sporadic and unsteady growth over the past twelve months, with sentiment towards real estate investment and overall liquidity challenged over this fiscal period. Regional political decisions have led to stability in core sectors of the hydrocarbon economy however industries such as hospitality, retail and real estate have seen fundamental shifts in supply dynamics negatively impacting both turnover and margin.

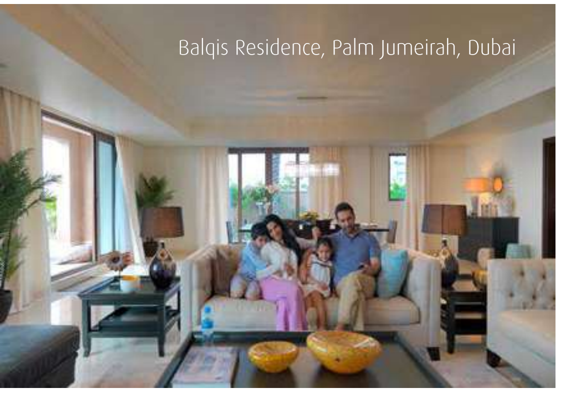
In spite of the continued soft nature of the Dubai residential real estate market, 2018 maintained the trend of seeing progress in our major projects on Palm Jumeirah. Balqis Residence began the process of handing over to residential owners in the last quarter of the year and will finalize all aspects of the residential section of the project in the coming quarter. The8 achieved material construction completion of the residential component in the last quarter also, the first quarter of 2019 will see the project begin the inspections process leading to handover.

IFA Real Estate Services progressed its growth in both the B2B segment for their facilities management services as well as the "a la carte" B2C home services division. The B2C division saw greater penetration and the rebranding of both businesses has begun to match the expansion seen in this area.

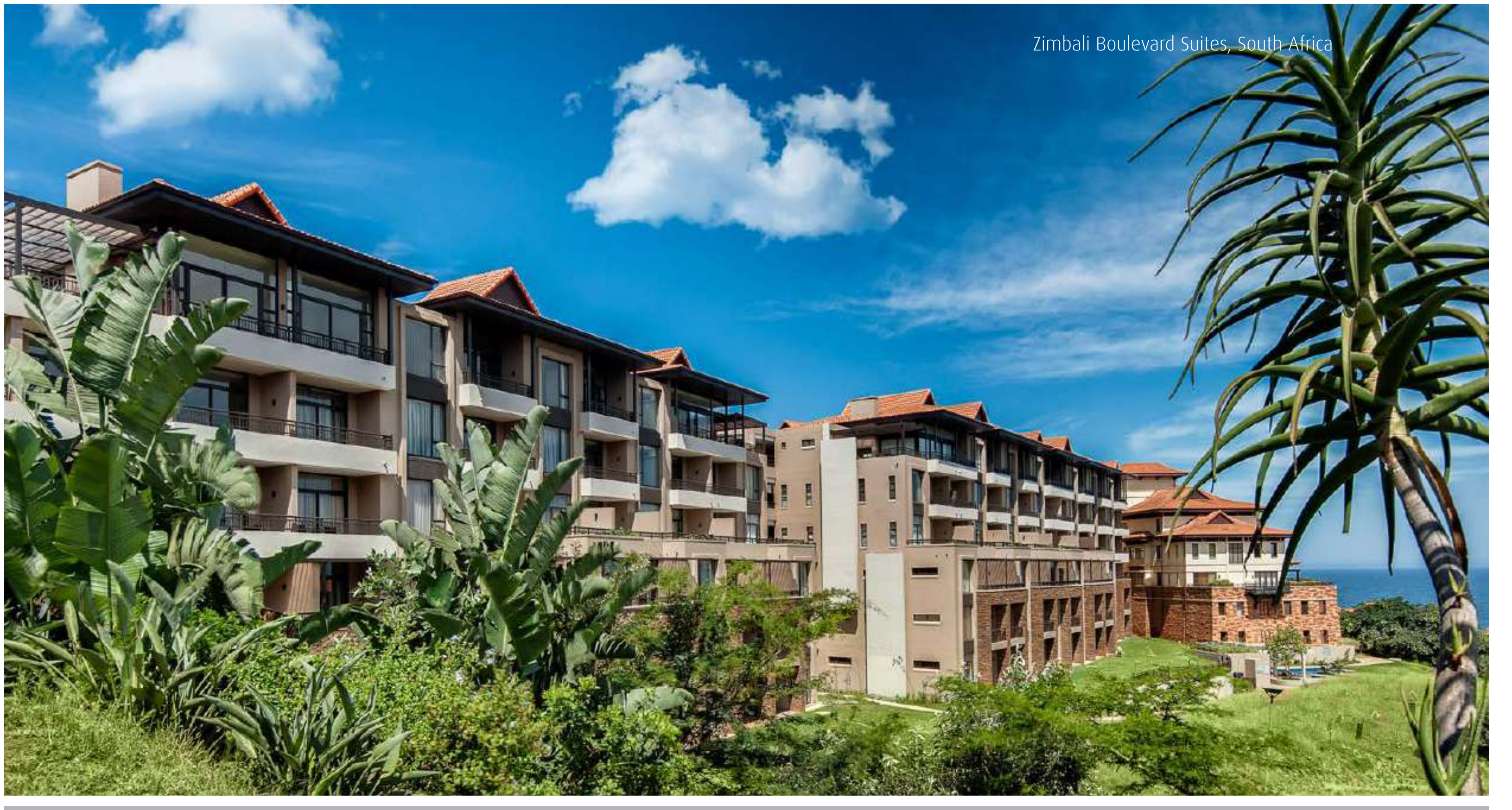
Within South Africa, bulk earthworks have commenced on Zimbali Lakes the first handover are estimated to take place mid-2020. Sales in the 2018 financial year have been steady with greater interest in off-plan developments in the Ocean Club Zimbali and Boulevard Suites projects. The Zimbali Lakes Resort project promises to be even more ambitious than its forerunner, the hugely successful Zimbali Coastal Resort.

Overall operating revenues within the hospitality sector have been negatively impacted throughout 2018 in South Africa. Economic hurdles as well as political instability have led to significant downward pressure on revenues to the industry. Notwithstanding these, Fairmont Zimbali achieved a healthy occupancy rate, which improved by 3 percentage points over the previous year, producing an overall improvement year-on-year in Revenue per Available Room. This plus a significant uplift in F&B revenues due to the newly opened Fairmont Conference Centre improved Gross Operating Profit and led to a higher result compared to that of 2017.

2018 sales performance of the timeshare product, Zimbali Vacation Club was exceptional with year on year increase of 17%. The refurbishment of the existing units and changes in the international exchange program has resulted in an increased


Balqis Residence, Palm Jumeirah, Dubai


Sheraton Cascais Resort, Portugal


Zimbali Boulevard Suites, South Africa

interest in this timeshare product.

In conclusion 2018 has seen macro-economic pressures impact both real estate sales and hospitality revenues greatly albeit that re-structuring of the Group's financing within some of our key development areas means we are better capable of facing these challenges in the mid-term and we are currently working on restructuring our loans to accommodate the slowness of the market. The completion of residential property in both Balqis and The8 in 2019 are key drivers for the near term and we look forward to the successful opening of The8's hospitality component also.

As always I take this opportunity to restate our gratitude to our shareholders and the key members of our management and staff for their continued support and efforts towards the Group's success.

Sincerely,

**Talal Jassim Al-Bahar**
Chairman

**Ibrahim Saleh Al-Therban**
Vice Chairman

# CONSOLIDATED FINANCIAL STATEMENTS & AUDITORS' REPORT
# IFA HOTELS & RESORTS – KPSC AND SUBSIDIARIES

KUWAIT 31 DECEMBER 2018

**Contents**

# INDEPENDENT AUDITORS' REPORT

**To the shareholders of**
**IFA Hotels & Resorts – KPSC**
**Kuwait**

**Report on the Consolidated Financial Statements**

*Opinion*

We have audited the consolidated financial statements of IFA Hotels and Resorts Kuwaiti Public Shareholding Company (the ''Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

*Basis for Opinion*

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

*Key Audit Matters*

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

*Revenue recognition*

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted either based on a full retrospective or modified retrospective application. At the end of the year 2015, the Group reviewed the impact of IFRS 15 on its revenue and elected to early adopt the standard using modified retrospective application from 1 January 2015. The resulting revenue is recognized as per the percentage of completion. The revenue recognized during the year ended 31 December 2018 in respect of properties under development amounting to KD29,797,974 (2017: KD32,896,573) is material to the consolidated financial statements, and is based on significant judgments and assumptions such as determining the percentage of completion at a point in time, and assessing how control passes to the buyer, due to which it is significant to our audit. Accordingly, we considered this as a key audit matter. Refer to notes 5.6, 6.1.2, 6.2.3 and 8 for more information on revenue recognition.

Our audit procedures included, among others, using the report of an independent valuation expert to verify the percentage of completion of each development project as at the reporting date, and critically assessing the methods and assumptions used by the expert. Further, we assessed the adequacy and appropriateness of the disclosures in relation to the accounting policies adopted and the critical judgments and assumptions made.

*Cost of completion*

IFRS 15 'Revenue from Contracts with Customers' requires the Group to estimate the cost to complete the development projects, in order to determine the cost attributable to the revenue being recognized in a particular period. The cost of revenue recognized in the Group's consolidated financial statements includes a portion of cost expected to be incurred to complete the property units for which revenue is being recognized. Determination of the expected costs of completion is highly judgmental and involves complex assumptions including the consideration of historical patterns, past experiences, industry averages, quotations, rates of inflations and future market expectations etc., and accordingly we considered this as a key audit matter. Refer to notes 5.6.7 and 6.2.4 for more information on cost of completion.

Our audit procedures included, among others, obtaining an understanding of the significant cost components, as well as a critical assessment of the validity and accuracy of the estimates and assumptions and discussions with the project development team based on targeted inquires made to them. The reasonableness of the basis used for estimates were tested, and the supporting data used to devise those estimates were studied and the adequacy of the disclosures in relation to critical judgments and assumptions made, were also assessed.

*Carrying value of properties under development*

Under IFRS, the Group is required to carry its properties under development at the lower of cost and net realizable value. This requires management to estimate the current market selling prices of the unsold units and to compare them to the estimated costs of the units which remain unsold as at the reporting date. This assessment requires significant management judgments and assumptions, mainly over the estimated price at which a unit is likely to sell, and is prone to subjectivity since establishing the reliability of sources used to draw comparisons of market prices is critical. Further, every seller in the market is expected to have a different motive and circumstance, and similarly every unit of property in a project may not have homogenous specifications. Accordingly, we considered this as a key audit matter. Refer to notes 5.12, 6.2.6 and 21 for more information on properties under development.

Our audit procedures included determination of the reasonableness of the estimated selling prices of the unsold property units. We inquired and observed management's estimates in the light of current market prices of properties of comparable sizes and characteristics in the area through the use of online real estate trading portals, as well as recent pattern of variations between actual selling prices and pre-sale estimated selling prices. We also assessed the adequacy of the disclosures in relation to the critical judgments and assumptions.

*Group audit and subsidiaries*

The Group has a large number of subsidiaries, which are significant to the Group's consolidated financial statements. The geographically dispersed structure increase the complexity of the Group's control environment and our ability as a Group auditor to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the subsidiaries to the Group's consolidated financial statements, this is considered as a key audit matter. Refer to notes 5.1, 5.2, 5.3, 6.1 and 7.1 for more information on the basis of consolidation, related judgements and the consolidated subsidiaries.

Our audit procedures included, among others, determining the nature and extent of audit procedure to be carried out for subsidiaries and selecting significant subsidiaries based on the size and/or risk profile of these subsidiaries. During our audit we considered the geographical diversity of Group's structure and have extended our involvement in local audit work performed by the component auditors. We organized meetings and held discussions with components in our audit scope. We, further discussed the audit approach with significant subsidiaries auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identification of related parties and transactions with them. We also set out the information required to be reported back to us as part of the group reporting.

# INDEPENDENT AUDITORS' REPORT (CONTINUED)

*Other information included in the Group's 2018 annual report*

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

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

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

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

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

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

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

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

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

• 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.

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

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

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

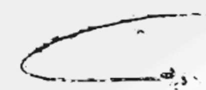
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

*Report on Other Legal and Regulatory Requirements*

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 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, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business or financial position of the Parent Company.



**Anwar Y. Al-Qatami, F.C.C.A.**
**(Licence No. 50-A)**
**of Grant Thornton – Al-Qatami, Al-Aiban & Partners**

**Kuwait**
**28 March 2019**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Note | Year ended 31 Dec 2018 KD | Year ended 31 Dec 2017 KD |
|---|---|---|---|
| Revenue | 8 | **57,056,511** | 63,255,493 |
| Cost of revenue | | **(43,268,391)** | (38,656,950) |
| Net income | | **13,788,120** | 24,598,543 |
| Net income from ticket sale and related services | | **323,813** | 283,374 |
| Fees and commission income | | **648,109** | 363,288 |
| Share of results of associate | 7.2 | **(53,094)** | (473,763) |
| Change in fair value of investment properties | 17 | **28,449** | 292,655 |
| Gain on sale of investment properties | 17 | **71,122** | 247,236 |
| Impairment in value of assets | 11a | **(684,789)** | - |
| Loss on sale of available for sale investments | 18 | **-** | (3,254,885) |
| Net gain on disposal of subsidiaries | 7.1.2 | **964,746** | - |
| Net gain on disposal of associates | 7.2 | **-** | 3,169,660 |
| Interest income | 9 | **226,316** | 112,261 |
| Other income | 10 | **608,127** | 3,955,978 |
| | | **15,920,919** | 29,294,347 |
| **Expenses and other charges** | | | |
| Staff costs | | **3,678,485** | 4,449,067 |
| Sales and marketing expenses | | **2,078,872** | 3,230,006 |
| Other operating expenses and charges | 11b | **16,920,200** | 13,089,383 |
| Depreciation | 15 | **3,965,379** | 3,677,162 |
| Finance costs | 12 | **9,433,286** | 10,343,612 |
| **Total expenses and other charges** | | **36,076,222** | 34,789,230 |
| **Loss before taxation** | | **(20,155,303)** | (5,494,883) |
| Tax reversal / (provision) relating to overseas subsidiaries | 13 | **816,189** | (138,546) |
| **Loss for the year** | | **(19,339,114)** | (5,633,429) |
| **Attributable to:** | | | |
| Owners of the Parent Company | | **(19,251,197)** | (5,524,919) |
| Non-controlling interests | | **(87,917)** | (108,510) |
| | | **(19,339,114)** | (5,633,429) |
| **Basic and diluted loss per share attributable to the owners of the Parent Company** | 14 | **(31.65) Fils** | (9.08) Fils |

*The notes set out on pages 18 to 71 form an integral part of the consolidated financial statements.*

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | **Year ended 31 Dec 2018 KD** | Year ended 31 Dec 2017 KD |
|---|---|---|---|
| Loss for the year | | **(19,339,114)** | (5,633,429) |
| **Other comprehensive income:** | | | |
| **Items to be reclassified to consolidated statement of profit or loss in subsequent periods:** | | | |
| Exchange differences arising on translation of foreign operations | | **(1,955,778)** | 469,870 |
| Realisation of foreign currency translation gain of foreign operations | | **-** | 2,880,593 |
| Available for sale investments | | | |
| - Net changes in fair value arising during the year | | **-** | (697) |
| - Transferred to consolidated statement of profit or loss on sale | | **-** | 940,733 |
| **Other comprehensive (loss) / profit to be reclassified to profit or loss in subsequent periods** | | **(1,955,778)** | 4,290,499 |
| **Items not to be reclassified to profit or loss in subsequent periods** | | | |
| Net changes in fair value arising during the year for equity investments classified as FVOCI | | **(203,180)** | - |
| **Other comprehensive loss not being reclassified to profit or loss in subsequent periods** | | **(203,180)** | - |
| Other comprehensive (loss) / profit for the year | | **(2,158,958)** | 4,290,499 |
| Total comprehensive loss for the year | | **(21,498,072)** | (1,342,930) |
| **Attributable to:** | | | |
| Owners of the Parent Company | | **(21,418,240)** | (1,138,849) |
| Non-controlling interests | | **(79,832)** | (204,081) |
| | | **(21,498,072)** | (1,342,930) |

*The notes set out on pages 18 to 71 form an integral part of the consolidated financial statements.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 31 Dec 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 7.1.3 | **1,141,332** | 196,950 |
| Property, plant and equipment | 15 | **102,727,352** | 104,825,502 |
| Capital work in progress | 16 | **46,876,804** | 46,590,672 |
| Investment properties | 17 | **2,952,589** | 4,620,341 |
| Investment in associates | 7 | **10,328,467** | 4,995,394 |
| Available for sale investments | 18 | **-** | 2,598,565 |
| Investments at fair value through other comprehensive income | 19 | **2,392,025** | - |
| **Total non-current assets** | | **166,418,569** | 163,827,424 |
| **Current assets** | | | |
| Accounts receivable and other assets | 20 | **39,926,835** | 23,313,108 |
| Properties under development | 21 | **76,526,938** | 81,004,940 |
| Trading properties | 22 | **5,427,736** | 10,130,604 |
| Cash and cash equivalents | 23 | **56,448,479** | 8,114,607 |
| **Total current assets** | | **178,329,988** | 122,563,259 |
| **Total assets** | | **344,748,557** | 286,390,683 |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| **Equity attributable to the owners of the Parent Company** | | | |
| Share Capital | 24 | **63,543,420** | 63,543,420 |
| Share premium | 24 | **12,519,938** | 12,519,938 |
| Treasury shares | 25 | **(12,550,973)** | (12,519,938) |
| Statutory reserve | 26 | **660,881** | 660,881 |
| Voluntray reserve | 26 | **660,881** | 660,881 |
| Cumulative changes in fair value | | **(690,182)** | (487,002) |
| Foreign currency translation reserve | | **(10,045,052)** | (8,081,189) |
| (Accumulated losses)/retained earnings | | **(13,107,630)** | 6,891,703 |
| **Total equity attributable to the owners of the Parent Company** | | **40,991,283** | 63,188,694 |
| Non-controlling interests | | **(288,056)** | 5,062,511 |
| **Total equity** | | **40,703,227** | 68,251,205 |
| **Non-current liabilities** | | | |
| Term loans | 27 | **66,059,164** | 83,714,504 |
| Retention payable | 28 | **5,106,176** | 4,250,204 |
| Employee's end of service benefits | | **1,463,941** | 1,391,608 |
| **Total non-current liabilities** | | **72,629,281** | 89,356,316 |
| **Current liabilities** | | | |
| Due to related parties | 34 | **62,613,096** | 45,331,806 |
| Retention payable | 28 | **3,031,172** | 1,606,623 |
| Accounts payable and other liabilities | 29 | **54,904,881** | 43,413,333 |
| Term loans | 27 | **102,867,734** | 37,433,542 |
| Advances received from customers | 30 | **7,999,166** | 997,858 |
| **Total current liabilities** | | **231,416,049** | 128,783,162 |
| **Total liabilities** | | **304,045,330** | 218,139,478 |
| **Total equity and liabilities** | | **344,748,557** | 286,390,683 |

Talal Jassem Mohammed Al-Bahar
Chairman

*The notes set out on pages 18 to 71 form an integral part of the consolidated financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity attributable to owners of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD | Share premium KD | Treasury shares KD | Statutory reserve KD | Voluntary reserve KD | Cumulative changes in fair value KD | Foreign currency translation reserve KD | (Accumulated losses)/ Retained earnings KD | Sub-Total KD | Non-controlling interests KD | Total KD |
| **Balance as at 31 December 2017** | **63,543,420** | **12,519,938** | **(12,519,938)** | **660,881** | **660,881** | **(487,002)** | **(8,081,189)** | **6,891,703** | **63,188,694** | **5,062,511** | **68,251,205** |
| **Adjustments arising from adoption of IFRS 9 on 1 Jan 2018 (Note 4.1)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(748,136)** | **(748,136)** | **-** | **(748,136)** |
| **Balance as at 1 January 2018 (Restated)** | **63,543,420** | **12,519,938** | **(12,519,938)** | **660,881** | **660,881** | **(487,002)** | **(8,081,189)** | **6,143,567** | **62,440,558** | **5,062,511** | **67,503,069** |
| Purchase treasury shares | **-** | **-** | **(31,035)** | **-** | **-** | **-** | **-** | **-** | **(31,035)** | **-** | **(31,035)** |
| Increase in non-controlling interest due to capital increase of subsidiary | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **462,666** | **462,666** |
| Decrease in non-controlling interest due to disposal of subsidiary (note 7.1.2) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(5,733,401)** | **(5,733,401)** |
| Transactions with owners | **-** | **-** | **(31,035)** | **-** | **-** | **-** | **-** | **-** | **(31,035)** | **(5,270,735)** | **(5,301,770)** |
| Loss for the year | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(19,251,197)** | **(19,251,197)** | **(87,917)** | **(19,339,114)** |
| Total other comprehensive (loss) / income for the year | **-** | **-** | **-** | **-** | **-** | **(203,180)** | **(1,963,863)** | **-** | **(2,167,043)** | **8,085** | **(2,158,958)** |
| **Total comprehensive loss for the year** | **-** | **-** | **-** | **-** | **-** | **(203,180)** | **(1,963,863)** | **(19,251,197)** | **(21,418,240)** | **(79,832)** | **(21,498,072)** |
| **Balance as at 31 December 2018** | **63,543,420** | **12,519,938** | **(12,550,973)** | **660,881** | **660,881** | **(690,182)** | **(10,045,052)** | **(13,107,630)** | **40,991,283** | **(288,056)** | **40,703,227** |

| | Equity attributable to owners of the Parent Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital KD | Share premium KD | Treasury shares KD | Statutory reserve KD | Voluntary reserve KD | Cumulative changes in fair value KD | Foreign currency translation reserve KD | Retained earnings KD | Sub-Total KD | Non-controlling interests KD | Total KD |
| Balance as at 31 December 2016 | 63,543,420 | 12,519,938 | (12,519,938) | 660,881 | 660,881 | (1,427,038) | (11,527,223) | 12,416,622 | 64,327,543 | 5,266,592 | 69,594,135 |
| Loss for the year | - | - | - | - | - | - | - | (5,524,919) | (5,524,919) | (108,510) | (5,633,429) |
| Total other comprehensive income/(loss) for the year | - | - | - | - | - | 940,036 | 3,446,034 | - | 4,386,070 | (95,571) | 4,290,499 |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | 940,036 | 3,446,034 | (5,524,919) | (1,138,849) | (204,081) | (1,342,930) |
| Balance as at 31 December 2017 | 63,543,420 | 12,519,938 | (12,519,938) | 660,881 | 660,881 | (487,002) | (8,081,189) | 6,891,703 | 63,188,694 | 5,062,511 | 68,251,205 |

*The notes set out on pages 18 to 71 form an integral part of the consolidated financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year ended 31 Dec 2018 KD | Year ended 31 Dec 2017 KD |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| **Loss before taxation** | | **(20,155,303)** | (5,494,883) |
| Adjustments: | | | |
| Change in fair value of investment properties | | **(28,449)** | (292,655) |
| Share of results of associates | | **53,094** | 473,763 |
| Interest income | | **(226,316)** | (112,260) |
| Depreciation | | **3,965,379** | 3,677,162 |
| Finance costs | | **9,433,286** | 10,343,611 |
| Net gain on disposal of subsidiaries | | **(964,746)** | - |
| Impairment of property, plant and equipment | | **684,789** | - |
| Net gain on disposal of associates | | **-** | (3,169,660) |
| Reversal of impairment provision for investment in associate | | **-** | (1,493,527) |
| Reversal of impairment provision for property, plant and equipment | | **-** | (2,140,535) |
| Net gain on sale of investment properties | | **(71,122)** | (247,236) |
| Loss on sale of available for sale investments | | **-** | 3,254,885 |
| Provision for employee end of service benefit | | **488,328** | 305,255 |
| | | **(6,821,060)** | 5,103,920 |
| **Changes in operating assets and liabilities:** | | | |
| Accounts receivable and other assets | | **(11,366,958)** | (4,209,698) |
| Properties under development | | **(4,110,495)** | (2,487,033) |
| Trading properties | | **(3,880,171)** | (172,906) |
| Accounts payable and other liabilities | | **11,087,508** | 2,217,468 |
| Due to related parties | | **17,739,037** | 12,740,815 |
| Advances received from customers | | **7,079,269** | (12,511,466) |
| **Net cash from operations** | | **9,727,130** | 681,100 |
| Payment of employee end of service benefit | | **(422,277)** | (178,729) |
| **Net cash from operating activities** | | **9,304,853** | 502,371 |
| **INVESTING ACTIVITIES** | | | |
| Net additions of property, plant and equipment | | **(2,552,019)** | (1,834,896) |
| Proceeds on disposals of investment properties | 17 | **1,609,120** | 4,106,131 |
| Proceeds on disposal of associates | | **-** | 2,220,970 |
| Net cash flow on disposal of subsidiary | 7.1.2 | **(3,348,949)** | - |
| Purchase of available for sale investments | | **-** | (306,774) |
| Proceeds from available for sale investments | | **-** | 1,403,695 |
| Additions to capital work in progress | | **(15,569)** | (16,556) |
| Interest income received | | **226,316** | 112,260 |
| **Net cash (used in)/from investing activities** | | **(4,081,101)** | 5,684,830 |
| **FINANCING ACTIVITIES** | | | |
| Increase in retentions | | **2,280,521** | 1,363,614 |
| Net increase of borrowings | | **48,442,959** | 3,602,924 |
| Purchase of treasure shares | | **31,035** | - |
| Movement of non-controlling interest | | **462,589** | - |
| Finance costs paid | | **(8,106,984)** | (9,068,676) |
| **Net cash from / (used in) financing activities** | | **43,110,120** | (4,102,138) |
| Net increase in cash and cash equivalents | | **48,333,872** | 2,085,063 |
| Cash and cash equivalents at beginning of the year | 23 | **8,114,607** | 6,029,544 |
| **Cash and cash equivalents at end of the year** | 23 | **56,448,479** | 8,114,607 |

*The notes set out on pages 18 to 71 form an integral part of the consolidated financial statements.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 Incorporation and Activities

IFA Hotels and Resorts was established as a limited liability Company on 19 July 1995, under the name "Offset Consulting and Project Management Company – WLL – Najwa Ahmed Abdelaziz Al-Qatami and Partners". On 14 May 2005, the Company's name and legal status was changed to IFA Hotels and Resorts – Kuwaiti Public Shareholding Company.

IFA Hotels and Resorts – KPSC "the Parent Company" and its subsidiaries are collectively referred to as the "Group" in the consolidated financial statements. Details of subsidiaries are set out in note 7.

The Parent Company is principally engaged in the following:

- Developing, managing and marketing hotels and resorts.

- Purchasing, selling and development of real estate and land on behalf of the Company within or outside the State of Kuwait. In addition, managing trust holdings, as well as trading private residential plots, in a manner that is not in violation of the laws relevant to these activities and their respective provision.

- Holding, purchasing, and selling shares and bonds of real estate companies based both in Kuwait and outside Kuwait, solely for the Company's benefit and purposes.

- Providing and presenting studies and consultations on all types of real estate issues, subject to the relevant conditions required of these services.

- Performing maintenance services relating to buildings and real estate owned by the Company including all types of maintenance work and the implementation of civil, mechanical, electrical, elevator and air conditioning related works whose purpose it is to preserve these buildings and to ensure their well-being.

- Organizing private real estate exhibitions to promote the real estate Company's projects, in accordance with the ministry's regulations.

- Preparing real estate auctions.

- Holding and managing commercial and residential complexes.

- Utilization of excess cash in the Company's possession by investing in financial and real estate portfolios which are managed by specialized and professional parties.

- Direct participation in the establishment of building foundations for residential, commercial, maintenance, touristic, urban, and athletic buildings and projects using the "Build-Operate-Transfer" (BOT) method and using BOT to manage the real estate location either for the Company's, or other parties, benefit.

- The Company is also permitted to subscribe and have interests in any activities of parties that are performing similar activities or that otherwise will help the Company realize its objectives within or outside Kuwait. The Company is permitted to participate in construction, to cooperate in joint ventures, or to purchase these parties either fully or partially.

Upto the 30th June 2018, the Parent Company was a subsidiary of International Financial Advisers (IFA) – KPSC, a Company listed in Kuwait and Dubai, UAE stock exchanges.

The address of the Parent Company's registered office is Souk Al-Kuwait Building Block A, Floor 8, Darwazat Al-Abdulrazzak, State of Kuwait.

The Parent Company's shares are listed in Kuwait stock exchange.

The board of directors of the Parent Company approved these consolidated financial statements for issuance on 28 March 2019. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

The Parent Company's annual consolidated financial statements for the year ended 31 December 2017 were approved by the shareholders at the Annual General Meeting (AGM) held on 29 May 2018.

## 2 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

## 3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

## 4 Changes in accounting policies

### 4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards which are considered to be relevant to the Group is presented below:

| Standard or Interpretation | Effective for annual periods beginning |
|---|---|
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2018 |
| Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS | 1 January 2018 |
| IAS 40 Investment Property - Amendments | 1 January 2018 |
| Annual Improvements to IFRSs 2014-2016 Cycle | 1 January 2018 |
| IFRIC 22 Foreign Currency Transactions and Advance Consideration | 1 January 2018 |

Several other amendments and interpretations apply for the first time in 2018, but do not have a material impact on the consolidated financial statements of the Group.

## 4 Changing in accounting policies (continued)

### 4.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments

The Group has adopted IFRS 9, Financial Instruments effective from 1 January 2018.

The IASB published IFRS 9 ‘Financial Instruments’ (2014), representing the completion of its project to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group’s exposure to credit risk in the consolidated financial statements (see notes 36.2 for details).

The main areas of impact are as follows:

- the classification and measurement of the financial assets based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment will need to be recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.

- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.

- if the fair value option continues to be elected for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) will be recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI will be recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets will continue to be recognised in profit or loss.

Based on the analysis of the Group’s financial assets and liabilities as at 31 December 2018 and of the circumstances that existed at that date, management of the Group have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the Group as follows:

Classification and measurement:

Group holds most debt type financial assets to hold and collect the associated cash flows and, therefore, these are to continue to be accounted for at amortised cost. However, certain financial assets are likely to be measured at Fair Value Through Profit or Loss (FVTPL) as the cash flows are not solely payments of principal and interest.

Equity investments are to be measured at FVTPL as well as FVOCI as certain existing investments in equity instruments qualify for designation as FVOCI category. The gains and losses on these investments will no longer be recycled to statement of profit or loss on subsequent measurement or on derecognition. Further, these investments are no longer subject to impairment test.

Bank balances, short term deposits and accounts receivables and other assets are all held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

## 4 Changing in accounting policies (continued)

### 4.1 New and amended standards adopted by the Group (continued)

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financials assets at 1 January 2018:

| | Original Classification under IAS 39 | New Classification under IFRS 9 | Original Carrying amount under IAS 39 | Re-measurement-ECL | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| | KD | KD | KD | KD | KD |
| **Financial Assets** | | | | | |
| Cash and bank balances | Loans & receivables | Financial assets at amortised cost | 8,114,607 | - | 8,114,607 |
| Accounts receivable and other assets | Loans & receivables | Financial assets at amortised cost | 18,265,284 | (784,136) | 17,481,148 |
| Equity Investments | | | | | |
| - Unquoted equity securities | AFS | FVOCI | 2,598,565 | - | 2,598,565 |
| | | | 28,978,456 | (784,136) | 28,194,320 |

(AFS - Available for sale, FVOCI – Fair value through other comprehensive income).

* Excluding non-financial assets of KD 5,047,824 as at 1 January 2018.

The following table summarises the new measurement categories under IFRS 9 by class of financial asset as at 1 January 2018:

| | IFRS 9 Categories | |
|---|---|---|
| | Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI) KD | Financial Assets at Amortised cost KD |
| Cash and bank balances | - | 8,114,607 |
| Accounts receivable and other assets | - | 17,481,148 |
| Investments | 2,598,565 | - |
| Balance at 1 January 2018 | 2,598,565 | 25,597,755 |

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

## 4 Changing in accounting policies (continued)
### 4.1 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)
Impairment of financial assets
In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) Debt instruments measured subsequently at amortised cost or at FVOCI;
(2) Trade receivables and contract assets; and
(3) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit impaired financial asset.

The Group has applied simplified approach to impairment for trade and other receivables as required or permitted under the standard. 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.

The Group's balances with banks are low risk and are considered to be fully recoverable and hence measurement of bank balances under IFRS 9 did not have a material impact on the consolidated statement of profit or loss of the Group. It is the Group's policy to measure such instruments on a 12-month ECL basis. In all cases, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowances as follows (excluding credit facilities):

| | Provision as at 31 Dec. 2017 KD | Adjustments KD | Provision as at 1 Jan. 2018 KD |
|---|---|---|---|
| Accounts receivable and other assets | - | (784,136) | (784,136) |
| | - | **(784,136)** | **(784,136)** |

Summary of impact on application of IFRS 9:
As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in the retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the comparative periods does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The implementation of IFRS 9 has resulted in the following impact:

| | Balance at 31 Dec. 2017 as reported KD | Adjustment KD | Balance as at 1 Jan. 2018 as restated KD |
|---|---|---|---|
| Available for Sale Investments | 2,598,565 | (2,598,565) | - |
| Accounts receivable and other assets | 18,265,284 | (784,136) | 17,481,148 |
| Investments at fair value through other comprehensive income | - | 2,598,565 | 2,598,565 |

The following table analyses the impact on transition to IFRS 9 to retained earnings and non-controlling interest:

| | Retained Earnings | Equity attributable to owners of the Parent Company | Non-controlling Interest | Total Equity |
|---|---|---|---|---|
| | KD | KD | KD | KD |
| **Closing balance under IAS 39 – 31 December 2017** | 6,891,703 | 63,188,694 | 5,062,511 | 68,251,205 |
| **Impact of reclassifications & re-measurements:** | | | | |
| Recognition of expected credit losses under IFRS 9 for financials assets | (748,136) | (748,136) | - | (748,136) |
| | (748,136) | (748,136) | - | (748,136) |
| **Opening balance under IFRS 9 – 1 January 2018** | **6,143,567** | **62,440,558** | **5,062,511** | **67,503,069** |

## 4 Changing in accounting policies (continued)

### 4.1 New and amended standards adopted by the Group (continued)

IFRS 40 Investment Property - Amendments
The Amendments to IAS 40 clarifies that transfers to, or from, investment property are required when, and only when, there is a change in use of property supported by evidence. The amendments also re-characterise the list of circumstances appearing in paragraph 57(a)–(d) as a non-exhaustive list of examples of evidence that a change in use has occurred. The Board has also clarified that a change in management's intent, by itself, does not provide sufficient evidence that a change in use has occurred. Evidence of a change in use must be observable.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration
The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Adoption of these amendments did not have a significant impact on the Group's consolidated financial statements.

### 4.2 IASB Standards issued and effective current year that has been early adopted in 2015

IFRS 15 Revenue from Contracts with Customers
IFRS 15 "Revenue from Contracts with Customers" was issued in May 2014 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted either based on a full retrospective or modified retrospective application. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance which is currently found across several standards and interpretations with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group had reviewed the impact of IFRS 15 on its revenue from operations elected to early adopt it with effect from January 1, 2015, as the Group considered it better reflects the real estate business performance of the Group. The Group has opted for modified retrospective application of the standard as permitted by IFRS 15 upon early adoption. Accordingly, the standard has been applied to the year ended 31 December 2015 (the initial application period). Modified retrospective application requires the recognition of the cumulative impact of adoption on all contracts that are not yet complete as at 1 January 2016 in the form of an adjustment to the opening balance of retained earnings as at that date.

### 4.3 IASB Standards issued but not yet effective and not early adopted

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to be relevant to the Group's consolidated financial statements.

| Standard or Interpretation | Effective for annual periods beginning |
|---|---|
| IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments | No stated date |
| IFRS 16 Leases | 1 January 2019 |
| IAS 28 - Amendments | 1 January 2019 |
| Annual Improvements to IFRSs 2015-2017 Cycle | 1 January 2019 |
| IFRS 3 – Amendments | 1 January 2020 |
| IAS 1 and IAS 8 – Amendments | 1 January 2020 |

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments
The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.
IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

## 4 Changing in accounting policies (continued)

### 4.3 IASB Standards issued but not yet effective and not early adopted (continued)

IFRS 16 Leases

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, management is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for finance and operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions
- assessing the additional disclosures that will be required.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

Amendments to IFRS 3 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

  Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

## 5 Summary of Significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

### 5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entitities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting date 31 December using consistent accounting policies. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

### 5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

### 5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.14 for a description of impairment testing procedures.

### 5.4 Investment in associates, joint ventures and joint operations

#### 5.4.1 Investment in associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

## 5 Summary of Significant accounting policies (continued)

### 5.4 Investment in associates, joint ventures and joint operations (continued)

#### 5.4.1 Investment in associates and joint ventures (continued)

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate and joint venture is not recognised separately and is included in the amount recognised as investment in associates and joint ventures.

Under the equity method, the carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint ventures, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate and joint ventures is shown on the face of the consolidate statements of profit or loss. This is the profit attributable to equity holders of the associate and joint venture and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate and joint venture.

The difference in reporting dates of the associates and joint ventures and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's financial statements. The associate's and joint ventures accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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

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

#### 5.4.2 Investment in joint operations

A joint operator recognises in relation to its interest in a join operation:
- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the same of its share of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant IFRSs.

The acquirer of an interest in a joint operation in which the activity constitutes a business as defined in business combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. These requirements apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interest are not re-measured).

### 5.5 Segment reporting

The Group has four operating segments: property development, hoteliering, investments and others. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

### 5.6 Revenue recognition

Revenue arises from the sale of properties, rendering of services and investing and real estate activities. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

## 5 Summary of Significant accounting policies (continued)
### 5.6 Revenue recognition (continued)
### 5.6.1 Revenue from contracts with customers

IFRS 15 'Revenue from Contracts with Customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model, explained below, which will apply to revenue arising from contracts with customers.

Step 1 Identify the contract with a 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 each of those rights and obligations.

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract which has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as is the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance obligations completed to date.

The Group allocates the transaction price to the performance obligations in a contract, based on the input method, which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable can be measured reliably.

### 5.6.2 Revenue from hotel operations and other related services

Revenue from hotel includes hotel services revenue, food and beverage and room revenue.

Revenue from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services are performed.

### 5.6.3 Beach club revenue

Revenue from beach club and related services are recognised when the services are rendered.

### 5.6.4 Dividend income

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

### 5.6.5 Fees and commission income

Fees and commission income is recognised when earned.

### 5.6.6 Interest and similar income

Interest income and expenses are reported on an accrual basis using the effective interest method.

### 5.6.7 Cost of sale of properties

Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

### 5.7 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

### 5.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

## 5 Summary of Significant accounting policies (continued)

### 5.9 Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write-off the cost less the estimated residual value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings 50 years | 50 years |
| Plant and Equipment | 5-7 years |
| Motor vehicles | 4-5 years |
| Furniture, fixtures and equipment | 5-7 years |
| Kitchen equipment and accessories | 3-10 years |

Lease hold property is depreciated over the period of the lease.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

### 5.10 Capital work in progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is 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 value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount. Capital work-in-progress also includes the cost of construction, design and architecture and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised.

### 5.11 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers where the market value are not readily available and are included in the consolidated statement of financial position. Where the market values are readily available, the fair value is ascertained based on latest transactions deal in the open market. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of for profit or loss in the year of retirement or disposal.

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

### 5.12 Property under development

Property under development represents properties under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any, are transferred to trading properties. Properties under development is disclosed net of transfer to cost of properties sold under IFRS 15.

### 5.13 Trading properties

Trading properties include purchase and development costs of completed unsold real estate properties. Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realizable value.

Cost are those expense incurred in bringing each property to its present condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred on disposal.

### 5.14 Impairment testing of goodwill and non financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

## 5 Summary of Significant accounting policies (continued)
### 5.14 Impairment testing of goodwill and non financial assets (continued)

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

### 5.15 Financial instruments
### 5.15.1 Recognition, initial measurement and derecognition

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

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

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

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

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

### 5.15.2 Classification and subsequent measurement of financial assets

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

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVOCI)

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. No such designation has been made.

## 5 Summary of Significant accounting policies (continued)
### 5.15 Financial Instruments (continued)
### 5.15.3 Subsequent measurement of financial assets

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

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

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

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

- Cash and cash equivalents
  Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- Receivables and other financial assets
  Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "Other receivables/other financial assets"

Financial assets at FVOCI
The Group's financial assets at FVOCI comprise of investments in equity shares: These represent investments in equity shares of various companies and include both quoted and unquoted.

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

A financial asset is held for trading if:

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

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

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

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

### 5.15.4 Impairment of financial assets

The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances and short term deposits
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses
The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

## 5 Summary of Significant accounting policies (continued)
### 5.15 Financial Instruments (continued)
### 5.15.4 Impairment of financial assets (continued)

Stage 3: Lifetime ECL – credit impaired (continued)
Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment
At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 120 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade receivables and other assets as permitted under the standard. 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.

### 5.15.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, due to banks and accounts payable and other liabilities.

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

- Financial liabilities at amortised cost

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities other than at FVTPL into the following categories:

- Term loans

All term loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- Redeemable preference shares

Redeemable preference shares are subsequently measured at amortised cost using the effective interest rate method.

- Accounts payables and other financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "other financial liabilities".

### 5.15.6 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

### 5.15.7 Offsetting of financial instruments

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

### 5.15.8 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 35.

## 5 Summary of Significant accounting policies (continued)

### 5.16 Advances received from customers

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements as wells as for the membership at beach club. Advances received from customers are stated net of revenue recognised during the period under IFRS15.

### 5.17 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognized in consolidated statement of profit or loss in the period in which they become receivable.

### 5.18 Equity, reserves and dividend payments

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

Share premium includes any premium received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' law and the Parent Company's Articles of Association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.
- Cumulative changes in fair value reserve – comprises of gains and losses relating to investment at fair value through other comprehensive income.

(Accumulated losses)/retained earnings includes all current and prior period retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

### 5.19 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

### 5.20 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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

### 5.21 Foreign currency translation

#### 5.21.1 Functional and presentation currency

The Group financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### 5.21.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" are reported as part of the cumulative change in fair value reserve within consolidated statement of profit or loss and other comprehensive income.

## 5 Summary of Significant accounting policies (continued)

### 5.21.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/ credited to consolidated statement of profit or loss and other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

### 5.22 End of service indemnity

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

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

### 5.23 Taxation

### 5.23.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

### 5.23.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

### 5.23.3 Zakat

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

### 5.23.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries are incorporated.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

## 6 Significant management judgements and estimation uncertainty

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

### 6.1 Significant management judgments

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

#### 6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.15). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### 6.1.2 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.6 are met requires significant judgement.

#### 6.1.3 Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognises revenue over time. Where this is not the case, revenue is recognised at a point in time.

#### 6.1.4 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

#### 6.1.5 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

#### 6.1.6 Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

#### 6.1.7 Control assessment

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

### 6.2 Estimation uncertainty

#### 6.2.1 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 cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

#### 6.2.2 Impairment of non-financial assets

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

## 6 Significant management judgements and estimation uncertainty (continued)

### 6.2 Estimation uncertainty (continued)

#### 6.2.3 Percentage of completion

The Group recognises accrual for properties under development based on the percentage of completion method. The percentage of work completion is determined by the independent lead consultant of the respective projects.

The percentage of completion method is applied on a cumulative basis in each accounting year to the current estimates of accrual for properties under development. Any change in estimate for determination of accruals for properties under development is recognised in current consolidated statement of financial position.

#### 6.2.4 Cost to completed the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

#### 6.2.5 Estimation of impairment of property, plant and equipment and capital work-in progress and their useful lives

The Group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 5 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives of property plant and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

#### 6.2.6 Net realisable value of development properties

The Group carries its development properties at the lower of cost and net realisable value. In determining whether the impairment losses should be recognised in the consolidated statement of profit or loss, management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the selling proceeds are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties recognised within properties under development in the consolidated statement of financial position to net realisable value.

#### 6.2.7 Impairment of associates and joint venture

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

#### 6.2.8 Fair value of financial instruments

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

#### 6.2.9 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuators have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### 6.2.10 Useful lives of depreciable assets

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

#### 6.2.11 Business Combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

#### 6.2.12 Fair value of financial instruments

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

#### 6.2.13 Impairment of Inventories

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

## 7 Subsidiary companies and associates

### 7.1 Subsidiary companies

#### 7.1.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

| Consolidated subsidiaries | Country of incorporation | Principal activity | Incorporation/Acquisition date | Percentage ownership % | |
|---|---|---|---|---|---|
| | | | | 2018 | 2017 |
| IFA Hotels & Resorts – Jabel Ali Free Zone | UAE | Property Development | 2005 | 100% | 100% |
| IFA Zimbali Hotels & Resorts (Pty) Ltd. | South Africa | Property Development | 2003 | 100% | 100% |
| IFA Hotels & Resorts Limited | South Africa | Hotelier and Property Developer | 2003 | 100% | 100% |
| IFA Hotels & Resorts 2 Limited | Cayman Island | Hotelier | 2003 | 100% | 100% |
| IFA Fairmont Zimbali Hotels & Resorts (Pty) Ltd. | South Africa | Hotelier | 2006 | 100% | 100% |
| IFA HI Real Estate Services Company – WLL | Kuwait | Property management and real estate | 2008 | 99% | 99% |
| IFA Investment LLC | UAE | Property management and real estate | 2018 | 99% | - |

#### 7.1.2 Disposal of a subsidiary - Vacation Club Venture Co. Ltd

At the beginning of the year, the Group had a controlling interest constituting 59% of the shares in Vacation Club Venture Co. Ltd "VCV" (sub-subsidiary). During April 2018, the Group disposed of the controlling interest in VCV, constituting 23.77% of VCV's total shares, to a related party for a consideration of KD3,579,335 (equivalent to AED43,681,120). The consideration due was set off against the amount due to the related party. The Group accounted for its retained 35.23% interest in VCV as an investment in associate, by virtue of significant influence. The retained interest was remeasured at fair value, immediately following the disposal of the controlling interest.

| | KD |
|---|---|
| Fair value of consideration received | 3,579,335 |
| Less: Net assets disposed at the date of disposal (23.77%) | (3,190,656) |
| Profit on disposal of the subsidiary to a related party (note 34) | 388,679 |
| | |
| Fair value of the retained interest recognised as an associate | 5,305,004 |
| Net assets related to the retained interest recognised as an associate (35.23%) | (4,728,937) |
| **Net gain** | 964,746 |

## 7 Subsidiary companies, joint ventures and associates (continued)

### 7.1.2 Disposal of a subsidiary - Vacation Club Venture Co. Ltd (continued)

The net assets of Vacation Club Venture Co. Ltd at the date of disposal were as follows:

| | KD |
|---|---|
| Property and equipment | 137,779 |
| Trade and other receivables | 10,632,936 |
| Cash and cash equivalents | 3,348,949 |
| Trade and other payables | (38,619) |
| Amount due to a related party | (428,051) |
| Non-controlling interest at the time of disposal | (5,733,401) |
| **Net asset at the time of disposal attributable to the Group** | **7,919,593** |

The net cash outflow on disposal of the subsidiary amounted to KD 3,348,949.

## 7 Subsidiary companies, joint ventures and associates (continued)

### 7.1.3 Incorporation of subsidiary - IFA Investment LLC

IFA Investments LLC was incorporated in Dubai, United Arab Emirates ("UAE") on September 18, 2018 as a Limited Liability Company where Group has contributed to 99% of its ownership.

Subsequently, IFA Investment LLC acquired 100% beneficial ownership in Domus Properties LLC (Formerly IFA Properties Brokerage LLC) pursuant to a share sale deed signed between IFA Investments LLC, IFA Kuwait Buildings General Contracting WLL and the shareholders of Domus Properties LLC (Formerly IFA Properties Brokerage LLC), dated October 08, 2018 against a consideration of AED 300,000 (equivalent to KD 24,764). As Domus Properties LLC (Formerly IFA Properties Brokerage LLC) constitutes a business under IFRS 3, the acquisition has been accounted for as a business combination. The difference in the aggregate estimated fair value of net assets acquired and the consideration given has been recognised as goodwill.

The net assets acquired at their estimated fair values at the acquisition date as follows:

| | KD |
|---|---|
| Purchase consideration | 24,764 |
| Recognised amount of identifiable net liability | |
| Amounts due from related parties | 1,378,601 |
| Cash and cash equivalents | 462,443 |
| Other payable | (1,689,711) |
| Amounts due to related parties | (1,093,044) |
| Total identifiable net liability | (941,711) |
| **Goodwill*** | 966,475 |

* Represents the excess consideration.

For the purpose of the consolidated statement of cash flow, the net cash inflow on acquisition of subsidiary was KD437,687.

During the year, the Group completed the acquisition of Domus Properties LLC (Formerly IFA Properties Brokerage LLC). Due to high degree of cooperation and integration of activities between the Domus Properties LLC and IFA Residential Services FZE, a sub-subsidiary of the Group, the management believes that above two entities consist of one cash-generating unit (CGU). Consequently, the carrying value of goodwill arose due to above acquisition was attributed to this CGU.

As at December 31, 2018, Group has performed goodwill impairment testing on above CGU. The recoverable amount of the CGU was determined based on value-in-use calculations, which uses cash flow projections based on financial forecasts covering a detailed five-year period, and an appropriate discount rate.

Cash flow projections during the forecasted period are based on the same expected operating profit throughout the projected period. The cash flows beyond that five-year period have been extrapolated using a conservative 2% per annum growth rate assumption, which is significantly lower than management's assessment of the long-term average market growth rate. The management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

As a result of these calculations, management arrived at the value of the Group that is significantly higher than the net assets value and therefore no impairment of goodwill was recognised as at 31 December 2018.

## 7 Subsidiary companies, joint ventures and associates (continued)

### 7.2 Investment in associatess

Details of the Group's associates at the end of the reporting period are as follows:

| Name and particulars of the Company | Interest in equity | | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|---|---|
| | 2018 | 2017 | KD | KD |
| *Legend and IFA Developments (Pty) Ltd.(Registered in South Africa and its principal activity is property development and safari resorts accommodation and related service) ("Legend and IFA")* | **50%** | 50% | **4,494,606** | 4,995,394 |
| *Vacation Club Venture (note 7.1.2)* | **35.23%** | - | **5,833,861** | - |
| | | | **10,328,467** | 4,995,394 |

The movement in associates during the year is as follows:

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Balance at 1 January | **4,995,394** | 8,889,186 |
| Additions | **561,748** | - |
| Addition due to retained interest of the subsidiary disposed (note 7.1.2) | **5,305,004** | - |
| Increase in shareholders loan | **193,019** | 16,953 |
| Share of results | **(53,094)** | (473,763) |
| Disposal of associate (note 7.2.3) | **-** | (5,622,115) |
| Reversal of Impairment in value * | **-** | 1,493,527 |
| Exchange differences arising on translation of foreign operations | **(673,604)** | 691,606 |
| Balance at 31 December | **10,328,467** | 4,995,394 |

## 7 Subsidiary companies, joint ventures and associates (continued)

### 7.2 Investment in associatess (continued)

7.2.1 The above is made-up as follows:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Equity investments | | |
| – Legend and IFA | **15** | 15 |
| – VCV | **5,833,861** | - |
| | **5,833,876** | 15 |
| Shareholders loans – Legend and IFA | **6,446,797** | 7,254,512 |
| Less: provision for impairment in value of shareholders loan | **(1,952,206)** | (2,259,133) |
| | **10,328,467** | 4,995,394 |

*During the previous year, the Group reversed an amount of KD1,493,257, which represents part of the previously recognized impairment loss against shareholders' loan, based on recoverability assessment performed by the management. The reversal has been recognized as other income in the consolidated statement of profit or loss (refer note 10).

7.2.2 Summarised financial information in respect of the Group's associates, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

7.2.2.1 Legend and IFA Developments (Pty) Ltd.

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Non-current assets | **2,779,434** | 2,940,652 |
| Current assets | **91,008** | 115,522 |
| Non-current liabilities | **(616,041)** | (372,071) |
| Current liabilities | **(2,897,829)** | (3,299,067) |
| Equity | **643,428** | (614,964) |

## 7 Subsidiary companies, joint ventures and associates (continued)

### 7.2 Investment in associatess (continued)

7.2.2.1 Legend and IFA Developments (Pty) Ltd. (continued)

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Revenue | **445,341** | 653,921 |
| (Loss) / profit for the year | **(120,242)** | 5,906 |
| Other comprehensive income for the year | **-** | - |
| Total comprehensive (loss) / income for the year | **(120,242)** | 5,906 |

A reconciliation of the above summarised financial information to the carrying amount of the investment is set out below:

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Net assets of the associate attributable to the shareholders of the Group | **(643,428)** | (614,964) |
| Proportion of the Group's ownership interest in the associate | **50%** | 50% |
| Proportionate ownership in the net assets of the associate | **(321,714)** | (307,482) |
| Other adjustments (foreign exchange translation and others adjustments) | **321,729** | 307,497 |
| Shareholder loan | **4,494,591** | 4,995,379 |
| Carrying value of the investment | **4,494,606** | 4,995,394 |

Investment in Legend IFA Developments (Pty) Ltd., includes shareholder loans of KD4,494,590 which is non- interest bearing and carried at present value (2017: KD4,995,379). The loans are unsecured and are not repayable before 31 December 2019.

The accumulated unrecognised losses of Legend and IFA Development (Pty) Ltd amounted to KD907,066 (2017: KD786,824).

Legend IFA Developments (Pty) is an unquoted investment.

## 7 Subsidiary companies, joint ventures and associates (continued)

### 7.2 Investment in associatess (continued)

7.2.2.2 Vacation Club Venture

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Non-current assets | **168,828** | - |
| Current assets | **14,724,334** | - |
| Current liabilities | **(588,073)** | - |
| Equity | **14,305,089** | - |

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Revenue | **-** | - |
| Loss for the year | **(159,949)** | - |
| Other comprehensive income for the year | **-** | - |
| Total comprehensive loss for the year | **(159,949)** | - |

A reconciliation of the above summarised financial information to the carrying amount of the investment is set out below:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Net assets of the associate attributable to the shareholders of the Group | **14,305,089** | - |
| Proportion of the Group's ownership interest in the associate | **35.23%** | - |
| Proportionate ownership in the net assets of the associate | **5,039,683** | - |
| Other adjustments (foreign exchange translation and other adjustments) | **213,868** | - |
| Goodwill | **580,310** | - |
| Carrying value of the investment | **5,833,861** | - |

## 7 Subsidiary companies, joint ventures and associates (continued)

### 7.2 Investment in associates (continued)

7.2.3 Yotel Investment Limited

During September 2017, the Group disposed 78% of its 39.6% holding in Yotel Investments Ltd, an associate, to related parties for total considerations of KD9,365,318 resulting in a gain of KD4,974,088. The sales considerations were settled by way of setting it off against the balances due to the same related parties as of the transaction date. Consequent to the disposal the management has concluded that the Group has lost its significant influence over Yotel Investments Ltd.

In addition, during December 2017, the Group has entered into another agreement to dispose the remaining shares of Yotel Investment Ltd, for a total consideration of KD2,255,466 realizing a gain of KD1,076,165.

As a result, the Group has fully disposed its interest in Yotel Investment Ltd as of 31 December 2017 and accordingly the operation of IFA Yotel Investment FZE (the wholly owned subsidiary Company created with the objective of holding the equity interest of Yotel Investment Ltd) ceased and IFA Yotel Investment FZE does not have any other assets and liabilities as of that date, except for the intergroup payables.

Consequently, the currency exchange losses accumulated on translation of the above foreign subsidiary in other comprehensive income totalling to KD2,880,593 has been reclassified to consolidated statement of profit or loss during the previous year as part of the realized gain on sale of the associate. Consequently, the net gain on sale of the associate amounted to KD3,169,660 has been recognized for the year ended 31 December 2017.

## 8 Revenue

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Revenue from projects under development | **29,797,974** | 32,896,573 |
| Revenue from hotel operations | **23,428,363** | 25,404,343 |
| Revenue from beach club operations | **40,166** | 497,842 |
| Management fees | **224,802** | 1,108,099 |
| Residential services income | **3,046,631** | 2,522,066 |
| Rental income | **518,575** | 826,570 |
| | **57,056,511** | 63,255,493 |

## 9 Interest income

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Interest income on bank balances and deposits | **18,406** | 35,040 |
| Interest income on late payment by customers | **25,780** | 23,709 |
| Interest income on others | **182,130** | 53,512 |
| | **226,316** | 112,261 |

## 10 Other income

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Loss from foreign currency exchange difference | **(1,056)** | (9,430) |
| Reversal of impairment provision for property, plant, and equipment (note 15.3) | **-** | 2,140,535 |
| Reversal of impairment provision for investment in associate (note 7.2) | **-** | 1,493,527 |
| Other income | **609,183** | 331,346 |
| | **608,127** | 3,955,978 |

## 11 Impairment in value of assets and other operating expenses and charges

a) Impairment in value of assets

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Impairment in value of property, plant, and equipment | **684,789** | - |
| | **684,789** | - |

b) Other operating expenses and charges include the following:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Hotel's property operation, maintenance and office expenses | **5,153,048** | 7,046,973 |
| Legal and professional fees and legal settlement costs | **4,574,720** | 579,474 |
| Commissions paid | **1,049,869** | 312,290 |
| Administration and management fee | **725,390** | 1,559,489 |
| Hotel operations management fee | **689,071** | 1,051,319 |
| Rent | **377,563** | 407,968 |
| Settlement of claims by Home owners Association in UAE | **339,788** | 311,060 |
| Advertising | **121,704** | 12,841 |
| Travel expenses | **91,766** | 89,950 |
| Utilities | **463,213** | 383,202 |

## 12 Net gain or (loss) on financial assets and finance costs

### a. Net gain or (loss) on financial assets

Net (loss) or gain on financial assets, analysed by category, is as follows:

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| | KD | KD |
| **Financial assets at amortised cost (2017:Loans and receivables)** | | |
| – Cash and cash equivalents | **18,407** | 35,040 |
| – Accounts receivable and other assets and shareholder loans to associates | **207,910** | 77,221 |
| – Reversal of impairment provision for investment in associate | **-** | 1,493,527 |
| **Investments at FVOCI (2017: Available for sale investments)** | | |
| – Recognised directly in consolidated statement of other comprehensive income | **(203,180)** | (697) |
| – Recycled from other comprehensive income to consolidated statement of profit or loss on disposal / impairment | **-** | (2,314,152) |
| – Recognized directly in consolidated profit or loss | **-** | (940,733) |
| | **23,137** | (1,649,794) |
| | | |
| Net loss recognised in the consolidated statement of profit or loss | **226,317** | (708,364) |
| Net loss recognised in the consolidated statement of profit or loss and other comprehensive income | **(203,180)** | (941,430) |
| | **23,127** | (1,649,794) |

### b. Finance costs

Finance costs relate mainly to term loans and due from related parties which are financial liabilities stated at amortised cost.

## 13 Tax credit/(expense) relating to overseas subsidiaries

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| | KD | KD |
| **Current tax:** | | |
| Current year charge | **(20,758)** | (22,193) |
| **Deferred tax credit:** | | |
| Current year credit / (charge) | **836,947** | (116,353) |
| | **816,189** | (138,546) |

## 14 Basic and diluted loss per share attributable to the owners of the Parent Company

Basic and diluted loss per share are computed by dividing the loss for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| | KD | KD |
| Loss for the year attributable to the owners of the Parent Company (KD) | **(19,251,197)** | (5,524,919) |
| Weighted average number of shares outstanding during the year (excluding treasury shares) | **608,257,222** | 608,446,198 |
| Basic and diluted loss per share | **(31.65) Fils** | (9.08) Fils |

## 15 Property, plant and equipment

| | Land KD | Buildings on freehold land KD | Buildings on leasehold land KD | Plant and equipment KD | Furniture, fixtures and office equipment KD | Kitchen equipment & accessories KD | Motor vehicles KD | Total KD |
|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2018** | | | | | | | | |
| Opening net book amount | **7,581,536** | **90,128,684** | **2,698,046** | **226,754** | **3,610,472** | **556,271** | **23,739** | **104,825,502** |
| Additions | **-** | **3,300,320** | **-** | **11,214** | **994,915** | **400,048** | **13,685** | **4,720,182** |
| Disposals | **-** | **(377,701)** | **(427,120)** | **-** | **-** | **(138,314)** | **(3,629)** | **(946,764)** |
| Foreign exchange adjustment | **(141,560)** | **(578,367)** | **13,897** | **(10,030)** | **(185,336)** | **2,726** | **(3,513)** | **(902,183)** |
| Impairment (refer 15.3) | **-** | **(684,789)** | **-** | **-** | **-** | **-** | **-** | **(684,789)** |
| De-recognition on disposal of subsidiary | **-** | **-** | **-** | **-** | **(131,862)** | **(187,355)** | **-** | **(319,217)** |
| Depreciation for the year | **-** | **(2,226,647)** | **(81,702)** | **(6,006)** | **(1,261,679)** | **(379,387)** | **(9,958)** | **(3,965,379)** |
| **Closing net book value** | **7,439,976** | **89,561,500** | **2,203,121** | **221,932** | **3,026,510** | **253,989** | **20,324** | **102,727,352** |
| **At 31 December 2018** | | | | | | | | |
| Cost | **7,439,976** | **103,527,432** | **2,906,408** | **410,003** | **9,471,817** | **5,182,566** | **96,026** | **129,034,228** |
| Accumulated depreciation and impairment | **-** | **(13,965,932)** | **(703,287)** | **(188,071)** | **(6,445,307)** | **(4,928,577)** | **(75,702)** | **(26,306,876)** |
| **Net book value** | **7,439,976** | **89,561,500** | **2,203,121** | **221,932** | **3,026,510** | **253,989** | **20,324** | **102,727,352** |
| **Year ended 31 December 2017** | | | | | | | | |
| Opening net book amount | 7,550,307 | 90,305,012 | 2,742,868 | 131,137 | 3,514,609 | 788,301 | 26,958 | 105,059,192 |
| Transfer from properties under development | - | 573,608 | - | - | - | - | - | 573,608 |
| Additions | 6,536 | 28,748 | - | 117,598 | 1,004,729 | 224,898 | - | 1,382509 |
| Disposals | - | (85,109) | - | (31) | (22) | - | (48) | (85,210) |
| Foreign exchange adjustment | 24,693 | (648,469) | (44,095) | 4,506 | 103,879 | (11,208) | 2,724 | (567,970) |
| Reversal of impairment provision (refer 15.2) | - | 2,140,535 | - | - | - | - | - | 2,140,535 |
| Depreciation for the year | - | (2,185,641) | (727) | (26,456) | (1,012,723) | (445,720) | (5,895) | (3,677,162) |
| **Closing net book value** | 7,581,536 | 90,128,684 | 2,698,046 | 226,754 | 3,610,472 | 556,271 | 23,739 | 104,825,502 |
| **At 31 December 2017** | | | | | | | | |
| Cost | 7,581,536 | 101,629,353 | 3,315,760 | 926,004 | 8,960,996 | 4,951,959 | 89,156 | 127,454,764 |
| Accumulated depreciation and impairment | - | (11,500,669) | (617,714) | (699,250) | (5,350,524) | (4,395,688) | (65,417) | (22,629,262) |
| **Net book value** | 7,581,536 | 90,128,684 | 2,698,046 | 226,754 | 3,610,472 | 556,271 | 23,739 | 104,825,502 |

## 15 Property, plant and equipment (continued)

15.1 Land and building with a carrying value of KD8,472,444 (2017: KD10,043,900) located in South Africa have been pledged as security for the term loan facilities obtained by South African subsidiaries and building with a carrying value of KD79,355,352 (2017: KD78,897,269) located in UAE, has been pledged as security for the term loan facility obtained by a UAE subsidiary (see note 27).

15.2 During the previous year, the Group has reversed an amount of KD2,140,535 which represents the reversal of previously recognized impairment loss against a Hotel property in South Africa, based on a recoverability assessment performed by the management. The reversal has been recognized as other income in the consolidated statement of profit or loss.

15.3 As per the management assessment, there has been an impairment of KD 684,789 (equivalent to AED 8.3mn) in carrying value of property and equipment of Trunk Residence FZE (a sub-subsidiary) as at 31 December 2018.

## 16 Capital work in progress

Capital work in progress represents mainly hotels and other capital projects under construction in UAE.

The movement in capital work in progress is as follows:

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Carrying value at the beginning of the year | **46,590,672** | 47,329,477 |
| Additions during the year | **15,569** | 16,555 |
| Foreign currency translation adjustment | **270,563** | (755,360) |
| Carrying value at the end of the year | **46,876,804** | 46,590,672 |

The above balance consists of the following:

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Land cost | | |
| - Crescent, Palm Jumeirah (Kingdom of Sheba Hotel) | **46,555,888** | 46,287,142 |
| | **46,555,888** | 46,287,142 |
| Other construction related costs | **320,916** | 303,530 |
| | **46,876,804** | 46,590,672 |

In the opinion of the management, there has been no impairment in the carrying values of the Capital work in progress as at 31 December 2018 (2017: KD Nil).

## 17 Investment properties

The Group's investment properties consist of the following:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Portugal – Pinecliff Resorts (refer 27c) | **2,952,589** | 4,620,341 |
| | **2,952,589** | 4,620,341 |

17.1 The movement in investment properties is as follows:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Carrying value at the beginning of the year | **4,620,341** | 7,438,139 |
| Disposals | **(1,537,998)** | (3,858,895) |
| Change in fair value | **28,449** | 292,655 |
| Foreign currency translation adjustment | **(158,203)** | 748,442 |
| Carrying value at the end of the year | **2,952,589** | 4,620,341 |

During the year, the Group disposed investment properties in Portugal with a carrying value of KD1,537,998 (2017: KD3,858,895) for a consideration of KD1,609,120 (2017:KD4,106,131), which resulted a gain of KD71,122 (2017:KD 247,236).

Independent valuers were engaged to determine the fair market value of the land and they held relevant professional qualification and experience.

## 18 Available for sale investments

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Foreign investments – unquoted shares | **-** | 2,568,093 |
| Local investments – unquoted shares | **-** | 30,472 |
| | **-** | 2,598,565 |

The Group has applied, for the first time, IFRS 9 "Financial Instruments" as described in Note 4.1 effective from 1 January 2018. Accordingly, the management of the Group has re-classified its existing available for sale investments as described in Note 4.1.

## 19 Investments at fair value through other comprehensive income

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Foreign investments – unquoted shares | **2,357,556** | - |
| Local investments – unquoted shares | **34,469** | - |
| | **2,392,025** | - |

## 20 Accounts receivable and other assets

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| **Financial assets:** | | |
| Accounts receivable (net)* | **27,173,994** | 13,792,715 |
| Due from other related parties (note 34) | **1,819,016** | 1,765,952 |
| Value Added Tax receivables | **830,149** | 94,567 |
| Other financial assets | **4,406,626** | 2,612,050 |
| | **34,229,785** | 18,265,284 |
| **Non-financial assets:** | | |
| Advance to contractors | **133,779** | 536,213 |
| Deferred Tax assets | **1,593,903** | 1,892,275 |
| Other non-financial assets | **3,969,368** | 2,619,336 |
| | **5,697,050** | 5,047,824 |
| | **39,926,835** | 23,313,108 |

* This includes project-related receivables amounting to KD 20 million (2017: KD 6 million) which will be received as per the payment terms agreed with customers.

All amounts are short-term and are considered a reasonable approximation of their fair value.

All of the Group’s trade and other receivables have been reviewed for indicators of impairment.

## 21 Properties under development

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| The Group's properties under development consists of the following: | | |
| Land cost: | | |
| - UAE (Balqis Residence, C Fourteen and KOS heritage place) | **25,360,254** | 31,265,785 |
| - South Africa (Zimbali Prescint Real Estate) | **195,709** | 281,305 |
| | **25,555,963** | 31,547,090 |
| Construction, piling and enabling works | **40,124,099** | 38,795,029 |
| Other construction related costs | **10,846,876** | 10,662,821 |
| | **76,526,938** | 81,004,940 |

The movement in properties under development is as follows:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Carrying value at the beginning of the year | **81,004,940** | 79,052,610 |
| Additions during the year | **15,686,968** | 26,304,992 |
| Transferred to property, plant and equipment (note 15) | **-** | (573,608) |
| Cost absorbed during the year (a) | **(19,797,463)** | (23,244,352) |
| Foreign exchange adjustments | **(367,507)** | (534,702) |
| | **76,526,938** | 81,004,940 |

a) Properties under development relates to the revenue project which are offered for sale. Cost of projects expected to be completed, or to be transferred to profit or loss within the next 12 months has been classified as current assets.

During the year, cost of properties under development amounting to KD19,040,580 (2017: KD22,215,359) were transferred to "Cost of revenue" and KD756,883 (2017: KD1,028,993) was transferred to "sales and marketing expenses".

In the opinion of the management, there has been no impairment in the carrying values of the property under development as at 31 December 2018 (2017: Nil).

b) Properties under development in UAE and South Africa with a carrying value of KD69,841,941 and KD4,657,432 respectively (2017: KD69,741,105 and KD5,723,686) have been pledged as security for term loan facilities obtained by subsidiaries in UAE and South Africa (see note 27).

## 22 Trading properties

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Residential flats in Dubai, UAE (a) | - | 4,185,267 |
| Properties in South Africa (b) | 5,427,736 | 5,945,337 |
| | 5,427,736 | 10,130,604 |

a) It represents the property units in Private Residential Clubs (PRCs) in Trunk Propco FZE, a subsidiary of the IFA HR FZE and was sold during the year for a total consideration of KD 5.5 Mn (equivalent to AED 67.4 Mn) resulting in a gain of KD965,195.

b) Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprise land at cost and development expenditure attributable to unsold properties. Trading properties with a carrying value of KD5,427,736 (2017: KD5,945,337) in South Africa have been pledged as security for borrowing facilities of the South African Subsidiary (see note 27 b).

c) In the opinion of the management, there has been no impairment in the carrying value of the trading properties as at 31 December 2018 and 31 December 2017.

## 23 Cash and cash equivalents

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Cash and bank balances* | **56,448,479** | 8,114,607 |
| Cash and cash equivalents as per the consolidated statement of financial position | **56,448,479** | 8,114,607 |
| Cash and cash equivalents for cash flow purposes | **56,448,479** | 8,114,607 |

* Subsequent to the balance sheet date, the Group has repaid a loan of KD65,725,152 by utilizing the above bank balances (refer note 27d).

Cash and bank balances include escrow account balances maintained by UAE subsidiary amounting to KD1,377,209 (2017: KD1,939,312) which are subject to Law No 8 of 2007 concerning guarantee accounts of real estate developments in the Emirates of Dubai.

## 24 Share capital and share premium

| | 31 December 2018 | | 31 December 2017 | |
|---|---|---|---|---|
| | **Authorised** | Paid-up | **Authorised** | Paid-up |
| Shares of KD0.100 each | **635,434,200** | 635,434,200 | **635,434,200** | 635,434,200 |

Share premium is not available for distribution.

## 25 Treasury shares

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Number of shares | **27,218,260** | 26,988,002 |
| Percentage of issued shares | **4.28%** | 4.25% |
| Market value (KD) | **2,422,425** | 4,857,840 |
| Cost (KD) | **12,550,973** | 12,519,938 |

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

## 26 Statutory reserve and voluntary reserves

### 26.1 Statutory reserve

As required by the Companies Law and the Parent Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat provision and board of directors' remuneration but after taxation on overseas subsidiaries and non-controlling interests is transferred to the statutory reserve until the balance reaches 50% of the Parent Company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval from the general assembly. No transfer is required in a year when losses are made. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

### 26.2 Voluntary reserve

In accordance with Parent Company's articles of association, certain percentage of the Parent Company's profit before KFAS, NLST, Zakat provision and board of directors' remuneration but after taxation on overseas subsidiaries and non-controlling interests is transferred to the voluntary reserve at the direction of the board of director which is to be approved at the general assembly. No transfer is required in a year when losses are made. There are no restrictions on distribution of voluntary reserve.

## 27 Term loans

| | Effective interest rates 31 Dec. 2018 KD | Effective interest rates 31 Dec. 2017 KD | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|---|---|
| Term loan – UAE | **4%-8.25%** | 6.3%-11.4% | **158,736,371** | 107,885,263 |
| Term loan – South Africa | **2.25%-10%** | 2.25%-9.5% | **9,214,642** | 11,461,941 |
| Term loan – Portugal | **6.5%** | 6.5% | **975,885** | 1,800,842 |
| | | | **168,926,898** | 121,148,046 |
| Less: Amount due within one year | | | **(102,867,734)** | (37,433,542) |
| Amount due after more than one year | | | **66,059,164** | 83,714,504 |

a. Term loans represent loans obtained by the subsidiaries in Dubai, South Africa and Portugal to finance the projects in Dubai and purchase of properties/finance projects in South Africa and Portugal.

b. The loans obtained by the South African subsidiaries are secured by:
- the mortgage of property, plant and equipment with a carrying value of KD8,472,444 (2017: KD10,043,900).
- The mortgage of properties under development with a carrying value of KD4,657,432 (2017: KD5,723,686).
- The mortgage of trading properties with a carrying value of KD5,427,736 (2017: KD2,712,778).

c. The loan obtained by the Portugal subsidiaries is secured by investments properties with a carrying value of KD2,952,589 (2017: KD4,620,341).

d. *Loan obtained by UAE subsidiaries amounting to KD65,725,152 (2017: KD66,949,027) from a foreign bank:*
On 15 September 2013, Trunk Propco FZE and IFA HI Trunk FZE, sub-subsidiaries of the UAE subsidiary, secured a credit facility agreement with a foreign bank amounting to USD175,000,000 (equivalent to KD53,051,250) (the 'Revised SCB Facility') which was utilised to settle existing facility of USD115,000,000 (the "SCB Facility"). The Revised SCB Facility carries interest at LIBOR plus margin. Hotel property is pledged against the Revised SCB Facility. Scheduled repayments started from June 30, 2015 with completion on June 30, 2018, however, during the year ended 31 December 2017, the sub-Subsidiary has revised repayment schedule and as per revised facility agreement, the revised maturity date is March 31, 2020. IFA Hotels and Resorts 1 (Cayman Islands) is also the guarantor of the Revised SCB Facility. This facility is repaid subsequent to year-end out of the new borrowing amounting to AED600,000,000 (equivalent to KD49,527,540) obtained from Dubai Islamic Bank as referred to in sub-note (h) below.

On 29 June 2015, the UAE subsidiary entered into an additional facility with SCB (the "Additional SCB Facility") amounting to AED210 Mn (equivalent to KD17,334,639) for the purpose of settlement of amounts payable to the main contractor in connection with the development costs of Balqis Residence project of the Group. The Additional SCB Facility was drawn on 5 July 2015, carries interest at the rate of LIBOR plus margin, with repayment on 5 January 2016. Thereafter the Group opted to exercise the 'Extension Options' per the facility agreement with revised maturity date of March 31, 2020. Balqis Residence FZE and Kingdom of Sheba Hotel FZE, subsidiary and sub-subsidiary of the Group respectively, are guarantors of the Additional SCB Facility.

## 27 Term loans (continued)

e. *Loan obtained by UAE subsidiary amounting to KD25,911,320 (2017: KD28,105,571) from Invest bank*

On 18 July 2013, the UAE subsidiary obtained a Real Estate Loan from Invest Bank PSC for an amount of AED54,000,000 (equivalent to KD4,457,479) (the 'First IB Loan') to partially fund property acquisition. The loan is fully secured by first degree fully registered mortgage and insurance over ten private residential apartments (owned by a UAE sub-subsidiary), corporate guarantee covering 110% of total facilities and irrevocable undertaking from the Parent Company as well as post-dated cheques covering the monthly interest at a fixed interest.

Repayment was to be made through the sale proceeds of mortgaged apartments by July 2017 and minimum 80% of sales proceeds of the apartments (and also rentals of apartments if rented out) were to be deposited into the subsidiary's account with Invest Bank PSC, for reduction or full settlement of the loan. This facility was repaid in 2017 from Fourth IB Facility.

On 14 September 2013, an addendum facility of AED115Mn (equivalent to KD9,492,779) was secured (the "Second IB Loan") which was drawn on 31 December 2013 and was payable in three equal instalments after a grace period of 12 months from the date of draw down. Two instalments amounting to AED38.33Mn have been paid. Earlier payments are allowed subject to an additional interest rate of 2% per annum on residue amount. The Second IB Loan is secured by the way of first degree registered mortgage over a plot of land located at Crescent – Palm Jumeirah, Dubai, UAE (included in property under development) and owned by a UAE sub-subsidiary. Corporate guarantee covering 110% of total facilities and irrevocable undertaking from the UAE subsidiary as well as post-dated cheques covering quarlely fixed interest have also been provided in relation to the Second IB Loan. Irrevocable undertaking from the Subsidiary is given to settle any shortfall in repayment from own sources of income.

On 31 December 2016, upon maturity of the second IB Loan, the UAE subsidiary negotiated an extended repayment date for the balance of AED38.33 Mn (equivalent to KD3,164,259) to 31 March 2017 and during the year 2017, the loan has been fully settled.

On 28 December 2015, the UAE subsidiary obtained a business term loan of AED95,000,000 (equivalent to KD7,841,861) (the 'Third IB Loan') from Invest Bank PSC, carrying fixed interest payable on a quarterly basis. Post Dated Cheques (PDCs), drawn on another bank, have been provided for servicing of interest. The loan is to be repaid in one bullet payment on 31 December 2018, although early repayment is allowed subject to a penalty of 2% per annum on the prepaid amount. The Third IB Loan is secured by way of assigning the unsold units of 'The 8' project being undertaken by C Fourteen FZE, a sub-subsidiary of the UAE subsidiary, along with the assignment of insurances of the said project, in favour of Invest Bank PSC. Further, corporate guarantee covering 110% of total facilities and an irrevocable undertaking is also given to settle any shortfall in repayment from own sources of income, by the Subsidiary.

On June 1, 2017, an additional facility of AED 250,000,000 (equivalent to KD 20,636,475) was secured (the 'Fourth IB Loan'), from Invest Bank PSC (the "Bank"), carrying a fixed margin plus the Bank's prime rate, payable on a quarterly basis. This facility was obtained to settle a loan of AED 54,000,000 (equivalent to KD 4,457,479) from Invest Bank PSC, acquired on July 18, 2013 (the 'First IB Loan'), and partial repayment of 'C View Fourteen Limited' loan by paying AED 88 million. The remainder of the Fourth IB Loan will be utilised in funding the projects being undertaken by the Group. The Fourth IB Loan is secured by way of assigning first degree mortgage over 152 unsold units in a project being undertaken by a sub-subsidiary. The Fourth IB Loan will be repaid in 8 equal quarterly instalments beginning after 1 year from draw down with final settlement on March 28, 2020. Further, corporate guarantee covering 110% of total facilities and an irrevocable undertaking has also given to settle any shortfall in repayment from own sources of income, by the Subsidiary.

f. *Loan obtained by UAE subsidiary amounting to KD6,278,283 (2017: KD5,475,882) from C View Fourteen Limited.*

During the year ended 31 December 2013, the UAE subsidiary entered into investment arrangements with C View Fourteen Limited (the "Investor"). In relation to these investment arrangements, AED110,000,000 (equivalent to KD9,080,049) was received in advance from the Investor and the Company transferred 84,615 shares (the 32.5% holding) of C Fourteen (BVI) Limited (100% owned subsidiary of the UAE Subsidiary) in the name of the Investor as a security against the deposit money.

During the year ended 31 December 2014, upon finalisation of these investment arrangements, AED110,000,000 (equivalent to KD9,080,049) has been transferred to term loans. These investment arrangements are for a period of 60 months from January 1, 2014 and carry fixed interest at 8 percent per annum payable quarterly in arrears (the Coupon) which would be revised in case of a default.

In addition to the 32.5% holding in C Fourteen (BVI) Limited, total saleable area of at least 84,832.65 square feet (the Units) in the project being undertaken by C Fourteen FZE will also be kept in the name of the Investor without any further consideration. The Investor has a Put Option (exercisable between the 42nd to 60th months) and the UAE Subsidiary has a Call Option (exercisable at any time during the 60 months) to early settle the investment arrangements. No further deposit has been or will be received against the transfer of the Units in the Investor's name.

## 27 Term loans (continued)

f. *Loan obtained by UAE subsidiary amounting to KD6,278,283 (2017: KD5,475,882) from C View Fourteen Limited (continued)*

When the Put Option or the Call Option is exercised, the Investor has to transfer the 32.5% holding in C Fourteen (BVI) Limited as well as the Units, back to the UAE subsidiary and the UAE subsidiary is liable to pay the Investor a settlement amount as stipulated in the investment arrangements agreement. The carrying value of the financing facility is not materially different from the present value of the settlement amount.

If the Put Option or the Call Option is not exercised up to 60 months from 1 January 2014, the UAE subsidiary shall transfer full title and ownership of the Units to the Investor and the Investor shall transfer the 32.5% holding in C Fourteen (BVI) Limited back to the UAE subsidiary and said transfers will be deemed as the settlement of the investment arrangements.

Though the legal title of the 32.5% shares in C Fourteen (BVI) Limited has been transferred in the name of the Investor, in substance the UAE subsidiary keeps all the risks and rewards attached to these shares including the right of dividend. Further, these shares cannot be sold freely by the Investor in the market because the UAE subsidiary has a Call Option to restrict this right. Therefore, no minority interest related to these shares has been calculated and recorded and this transfer of shares in the name of the Investor has been merely treated as a security against this financing arrangement.

On June 12, 2017, the Company exercised a 'Call Option' for the early redemption of 17.5% shares of C Fourteen (BVI) Limited, at a redemption price of AED 88 million. The premium paid on redemption has been recognised within 'finance costs'.

On December 19, 2018 the Company entered into an extension agreement with the Investor whereby the tenor is extended until June 30, 2019.

g. *Loan obtained by UAE subsidiary amounting to KDNil (2017: KD7,354,783) from Al Reema Finance PJSC.*

On 17 March 2016, Balqis Residence FZE, a sub-subsidiary of a UAE subsidiary, entered into a borrowing agreement with Al Reem Finance PJSC for a total facility amount of AED 70,000,000 (equivalent to KD5,778,213). As of 31 December 2016, the entire amount has been drawn down bearing fixed interest payable quarterly. The maturity date of the principal is two years from the date of draw down and is subject to a payment in kind fixed in the agreement.

On December 6, 2017, an additional facility of AED 10,000,000 (equivalent to KD 825,459) was secured. As of December 31, 2017, the entire amount has been drawn down bearing fixed interest payable quarterly. The maturity date of the whole facility is April 30, 2018.

On June 25, 2018 Balqis Residence FZE entered into an addendum agreement with Al Reem Finance PSJC to extend the facility tenor for 3 months to July 28, 2018. On August 02, 2018 the loan to Al Reem Finance PSJC was paid along with interest.

h. *Loan obtained by UAE subsidiary amounting to KD60,821,616 (2017: KD Nil) from Dubai Islamic Bank.*

On April 1, 2018 Balqis Residence FZE, a sub-subsidiary has entered into a short-term financing facility with Dubai Islamic Bank PSJC (hereinafter referred as "the Bank") for AED 140,000,000 (equivalent to KD11,556,426). The facility is secured against personal guarantee of Mr. Nash'at Farhan Awad Sahawneh and corporate guarantee of AED 140,000,000 (equivalent to KD11,556,426) from M/s Al Hamd Building Contracting Company LLC, Sharjah, M/s IFA Hotel & Resorts FZE, Dubai and M/s IFA Hotel & Resorts KPSC, Kuwait. Further, a first degree mortgage has also been created over residential units of Balqis Residence covering 200% of the outstanding principal value at any point of time in favour of the Bank and assignment of insurance policy in favour of the Bank against the properties mortgaged.

The purpose of the facility is to repay the loan of M/s Al Reem Finance PSJC and balancing amount to be utilized to finance the completion of the Balqis Residence project. The facility is repayable in 4 quarterly instalments with the first instalment commencing after 6 months from disbursement date. The profit repatriable shall be charged at relevant EIBOR plus margin with minimum fixed rate which will be serviced on quarterly basis.

On December 31, 2018 Trunk Propco FZE entered into an Ijara agreement with Dubai Islamic Bank PJSC (hereinafter referred as "the Bank") for AED 600,000,000 (equivalent to KD 49,527,540) repayable at the base rate over 3 months EIBOR, subject to minimum fixed rate. The purpose of the Ijara facility is to repay the existing loan of USD 175,000,000 (equivalent to KD 53,051,250) to the Standard Chartered Bank. The repayment shall be made in 56 quarterly instalments which shall end on December 31, 2032.

The facility is secured against corporate guarantee of M/s IFA Hotel & Resorts KSCP, Kuwait, M/s IFA Hotel & Resorts FZE and M/s IFA Hotel & Resorts 1, Cayman Island. Further a share charge has also been created against shares of M/s IFA Hotel & Resorts 1 and share pledge has also been created against shares of M/s IFA HI Trunk FZE and M/s Trunk Propco FZE. A moveable mortgage has also been created in favour of the Bank against, amongst other assets, the bank accounts and other receivables deriving from "Fairmont the Palm" (hereinafter referred as "the Property"). A property mortgage has also been created in favour of the bank against the Property and assignment of insurance policy in favour of the Bank against the mortgaged Property.

## 28 Retention Payable

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Retention payable | **8,137,348** | 5,856,827 |
| Less: Amount due within one year | **(3,031,172)** | (1,606,623) |
| Amount due after more than one year | **5,106,176** | 4,250,204 |

Retention payable comprise of the contractually agreed retentions and performance guarantees payable to the main contractor for the project being undertaken by Balqis Residence FZE, and C Fourteen FZE.

## 29 Accounts payable and other liabilities

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| Accounts payable | 21,484,653 | 21,743,705 |
| Accrued construction costs | 1,780,141 | 2,035,120 |
| Other accruals | 6,494,658 | 4,326,196 |
| Deferred tax | 672,040 | 1,828,597 |
| Deferred income | 2,592,873 | 2,346,646 |
| Dividend payable | 509,163 | 509,163 |
| KFAS, NLST and Zakat payables | 3,849,224 | 3,849,224 |
| Refundable deposits due to customers in relation to forfeited sale contracts | 1,359,704 | 1,351,855 |
| Land transfer fee payable | 201,885 | 222,286 |
| Other payables (a) | 15,960,540 | 5,200,541 |
| | 54,904,881 | 43,413,333 |

(a) Other payables include post-dated cheques amounting to KD7,880,816 (2017: KD1,409,457) issued against settlement of legal cases filed by unit holders in Balqis Residence FZE (a UAE sub-subsidiary). Out of these, post-dated cheques amounting to KD5,328,149 (2017: KD1,360,591) have been issued in respect of refunds of deposits received from customers, and their maturities are as per court order.

## 30 Advances received from customers

These are advances received from customers against sale of residential properties under development in various projects mainly by subsidiary companies in UAE. Advances that are related to the projects that are expected to be transferred to revenue within next twelve months have been classified as current liabilities.

| | **31 Dec. 2018 KD** | 31 Dec. 2017 KD |
|---|---|---|
| Balance at the beginning of the year | **997,858** | 13,556,838 |
| Advances received during the year* | **15,164,902** | 15,553,086 |
| Revenue recognised during the year** | **(1,814,553)** | (22,136,074) |
| Deposits transferred to other operating income | **-** | (158,151) |
| Transfer levy paid | **-** | (1,305,748) |
| Deposit refunded upon cancellation | **(6,271,080)** | (4,464,578) |
| Foreign exchange adjustment | **(77,961)** | (47,515) |
| Balance at end of the year | **7,999,166** | 997,858 |

* These include deposits amounting to KD1,754,038 (2017: KD1,837,944) transferred from other payables, following their allocation to specific units of the on-going projects during the period.

** Certain receivables against revenue from sale of properties related to Balqis Residence project were set off against total deposits since the project is nearing completion and the revenue-deposits gap is expected to close out shortly. Further, management believes that the credit risk exposure in relation to these receivables is minimal since the properties are still under construction and yet to be hand over.

## 31 Proposed distributions

The board of directors of the Parent Company propose not to distribute any dividend for the year ended 31 December 2018 (2017: Nil). This proposal is subject to the approval of the annual general assembly of shareholders.

No dividends were distributed for the year ended 31 December 2017.

## 32 Segmental information

The Group activities are concentrated in four main segments: property development, hoteliering, investments and others. The segments' results are reported to the higher management in the Group. In addition, the segments revenue, assets are reported based on the geographic locations which the Group operates in.

The following is the segments information, which conforms with the internal reporting presented to management.

| | Year Ended 31 Dec. 2018 | | | | |
|---|---|---|---|---|---|
| | Property development KD | Hoteliering KD | Investments KD | Others KD | Total KD |
| **Segment revenue** | **32,678,391** | **23,468,529** | **1,239,764** | **1,802,626** | **59,189,310** |
| **Less:** | | | | | |
| Net income from ticket sale and related services | | | | | **(323,813)** |
| Fees and commission income | | | | | **(648,109)** |
| Share of results of associate | | | | | **53,094** |
| Change in fair value of investment properties | | | | | **(28,449)** |
| Gain on sale of investment properties | | | | | **(71,122)** |
| Gain on disposal of subsidiary | | | | | **(964,746)** |
| Impairment in value of assets | | | | | **684,789** |
| Interest income | | | | | **(226,316)** |
| Other income | | | | | **(608,127)** |
| Revenue as per consolidated statement of profit or loss | | | | | **57,056,511** |
| **Segment (loss) / profit before taxation, KFAS, NLST and Zakat** | **(10,901,800)** | **(8,375,067)** | **(943,690)** | **65,254** | **(20,155,303)** |
| Depreciation | **2,131,899** | **1,778,023** | **46,405** | **9,052** | **3,965,379** |
| Segment assets | **317,060,474** | **19,935,870** | **6,516,834** | **1,235,379** | **344,748,557** |
| Segment liabilities | **(240,453,302)** | **(17,198,020)** | **(45,822,367)** | **(571,641)** | **(304,045,330)** |

## 32 Segmental information (continued)

| | Year Ended 31 Dec. 2017 | | | | |
|---|---|---|---|---|---|
| | **Property development KD** | **Hoteliering KD** | **Investments KD** | **Others KD** | **Total KD** |
| **Segment revenue** | 36,245,210 | 25,902,185 | 1,089,001 | 4,714,901 | 67,951,297 |
| **Less:** | | | | | |
| Net income from ticket sale and related services | | | | | (283,374) |
| Fees and commission income | | | | | (363,288) |
| Share of results of associate | | | | | 473,763 |
| Gain on sale and change in fair value of investment properties | | | | | (539,891) |
| Loss on disposal of available for sale investment | | | | | 3,254,885 |
| Net gain on disposal of associates | | | | | (3,169,660) |
| Interest income | | | | | (112,261) |
| Other income | | | | | (3,955,978) |
| Revenue as per consolidated statement of profit or loss | | | | | 63,255,493 |
| **Segment (loss) / profit before taxation, KFAS, NLST and Zakat** | (4,465,408) | 3,914,620 | (5,072,795) | 128,700 | (5,494,883) |
| Depreciation | 2,005,330 | 1,624,484 | 42,698 | 4,650 | 3,677,162 |
| Segment assets | 261,672,553 | 16,794,988 | 7,057,186 | 865,956 | 286,390,683 |
| Segment liabilities | (183,320,977) | (6,844,848) | (27,756,098) | (217,555) | (218,139,478) |

**Geographical segments:**

The geographical analysis is as follows:

| | Assets | | Revenue | |
|---|---|---|---|---|
| | **31 Dec. 2018** | 31 Dec. 2017 | **31 Dec. 2018** | 31 Dec. 2017 |
| | **KD** | KD | **KD** | KD |
| Kuwait | **3,580,995** | 3,387,325 | **599,944** | (2,651,118) |
| UAE and Asia | **303,320,500** | 237,272,293 | **51,336,578** | 52,479,996 |
| Africa | **30,795,222** | 35,924,143 | **6,922,018** | 11,467,078 |
| Others | **7,051,840** | 9,806,922 | **330,770** | 6,655,341 |
| | **344,748,557** | 286,390,683 | **59,189,310** | 67,951,297 |

## 33 Capital commitments and contingencies

**Capital expenditure commitments**

At 31 December 2018, the Group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai, UAE and South Africa. The estimated funding commitments on these projects are as follows:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| Estimated and contracted capital expenditure for construction of properties under development and trading properties | 4,740,851 | 17,486,294 |
| Finance guarantees | 33,431 | 23,390 |
| Post-dated cheques issued | 5,287,006 | 1,409,457 |
| | 10,061,288 | 18,919,141 |

The Group expects to finance the future expenditure commitments from the following sources:

a) sale of trading properties;
b) deposits received from customers;
c) repayment of advances provided by shareholders, related entities, joint ventures; and
d) borrowings, if required.

## 34 Related party transactions

Related parties represent the ultimate Parent Company, associates, joint ventures, directors and key management personnel of the Group, and other related parties such as subsidiaries of the Ultimate Parent Company (fellow subsidiaries), major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| **Balances included in the consolidated statement of financial position:** | | |
| Amounts due from other related parties (note 20) * | 1,819,016 | 1,765,952 |
| Amounts due to former Ultimate Parent Company | 16,390,539 | 16,313,487 |
| Amounts due to other related parties | 46,222,557 | 29,018,319 |
| Shareholders loan given to an associate (refer note 7) | 4,494,591 | 4,995,379 |

## 34 Related party transactions (continued)

| | Year ended 31 Dec. 2018 KD | Year ended 31 Dec. 2017 KD |
|---|---|---|
| **Transactions included in the consolidated statement of profit or loss** | | |
| Net gain on disposal of associates (net of proportionate allocation of translation loss of KD2,270,761 -note 7.2.3) | **-** | 2,703,327 |
| Fees and commission income | **275,000** | 275,000 |
| Finance costs | **328,130** | 557,330 |
| Revenue from sale of residential and commercial property units and disposal of property and equipment | **-** | 1,940,395 |
| Gain disposal of subsidiary (note 7.1.2) | **388,679** | - |
| **Compensation of key management personnel of the Group** | | |
| Short-term employee benefits | **503,900** | 498,533 |

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

Amount due from other related parties are interest free and have no specific repayment dates.

Amount due to other related parties include short term advance of KD9,587,090 (2017: KD8,107,785) which carry interest at 2.5% to 4.25% above the Central Bank of Kuwait discount rate per annum with no specific repayment dates and the remaining balances of KD36,635,467 (2017: KD20,910,534) are non-interest bearing and have no specific repayment terms. Further, amount due to former Ultimate Parent Company are non-interest bearing and have no specific repayment dates.

## 35 Summary of financial assets and liabilities by category and fair value measurment

### 35.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

| | 31 Dec. 2018<br>KD | 31 Dec. 2017<br>KD |
|---|---|---|
| **Financial assets:** | | |
| Available for sale investments | | |
| - at cost or cost less impairment | - | 747,040 |
| - at fair value | - | 1,851,525 |
| | - | 2,598,565 |
| Investments at FVOCI (note 19) | 2,392,025 | - |
| Financial assets at amortised cost (2017: Loans and receivables - at amortised cost): | | |
| - Accounts receivable and other assets (note 20) | 34,229,785 | 18,265,284 |
| - Shareholders loan given to an associate (note 7) | 4,494,591 | 4,995,379 |
| - Cash and cash equivalents | 56,448,479 | 8,114,607 |
| | 95,172,855 | 31,375,270 |
| Total financial assets | 97,564,880 | 33,973,835 |
| **Financial liabilities at (amortised cost):** | | |
| - Term loans | 168,926,898 | 121,148,046 |
| - Retention payable | 8,137,348 | 5,856,827 |
| - Due to related parties | 62,613,096 | 45,331,806 |
| - Accounts payable and other liabilities | 54,904,881 | 43,413,332 |
| Total financial liabilities | 294,582,223 | 215,750,011 |

### 35.2 Fair value measurement

Fair value represents 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. In the opinion of the Group's management, the carrying amounts of all financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (refer 35.4).

## 35 Summary of financial assets and liabilities by category and fair value measurment (continued)

### 35.3 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

| **31 December 2018** | | **Level 1** | **Level 2** | **Level 3** | **Total Balance** |
|---|---|---|---|---|---|
| | **Note** | **KD** | **KD** | **KD** | **KD** |
| **Financial assets at fair value:** | | | | | |
| **Investments at fair value through other comprehensive income** | | | | | |
| - Local investments – Unquoted shares | **b** | **-** | **-** | **34,469** | **34,469** |
| - Foreign investments – Unquoted shares | **b** | **-** | **-** | **2,357,556** | **2,357,556** |
| **Total assets** | | **-** | **-** | **2,392,025** | **2,392,025** |

| **31 December 2017** | | **Level 1** | **Level 2** | **Level 3** | **Total Balance** |
|---|---|---|---|---|---|
| **Assets at fair value** | **Note** | **KD** | **KD** | **KD** | **KD** |
| Available for sale investments | | | | | |
| - Foreign investments – Unquoted shares | b | - | - | 1,851,525 | 1,851,525 |
| **Total assets** | | - | - | 1,851,525 | 1,851,525 |

### Measurement at fair value

The Group’s finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

**a) Quoted shares (level 1)**
Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

**b) Unquoted shares (level 3)**
These represent holdings in foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

## 35 Summary of financial assets and liabilities by category and fair value measurment (continued)

### 35.3 Fair value hierarchy for financial instruments measured at fair value (continued)

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

| | 31 Dec. 2018 KD | 31 Dec. 2017 KD |
|---|---|---|
| As at 1 January | 1,851,525 | 5,125,884 |
| Disposed during the year | - | (6,778,962) |
| Transferred from investment carried at cost | 739,730 | - |
| Change in fair value | (203,180) | 940,733 |
| Additions during the year | 3,950 | 2,563,870 |
| As at 31 December | 2,392,025 | 1,851,525 |

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

**31 December 2018**

| Financial asset | Valuation technique | Significant unobservable input | Range (weighted average) | Sensitivity of the fair value measurement to the input |
|---|---|---|---|---|
| Unquoted shares | DCF Method | Long term growth rate for cash flows for subsequent years | 3% | Higher the growth rate, higher the value |
| | | WAAC | 8% | Higher the WACC, lower the value |

**31 December 2017**

| Financial asset | Valuation technique | Significant unobservable input | Range (weighted average) | Sensitivity of the fair value measurement to the input |
|---|---|---|---|---|
| Unquoted shares | DCF Method | Long term growth rate for cash flows for subsequent years | 3% | Higher the growth rate, higher the value |
| | | WAAC | 8% | Higher the WACC, lower the value |

The impact other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

## 35 Summary of financial assets and liabilities by category and fair value measurment (continued)

### 35.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Investment properties** | **KD** | **KD** | **KD** | **KD** |
| - Apartments in Portugal | **-** | **-** | **2,952,589** | **2,952,589** |
| | **-** | **-** | **2,952,589** | **2,952,589** |

| **31 December 2017** | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Investment properties** | **KD** | **KD** | **KD** | **KD** |
| - Apartments in Portugal | **-** | - | 4,620,341 | **4,620,341** |
| | **-** | - | 4,620,341 | **4,620,341** |

Fair value of the investment properties disclosed in above has been determined by independent valuers using market comparison in Portugal (2017: Portugal) assessed by valuers and data provided by management. Therefore, it falls in the level 3 of the fair value hierarchy. Information on significant inputs and assumptions are as follows:

**31 December 2018:**

| Description | Valuation technique | Significant unobservable input | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Apartments in Portugal | Transaction comparison approach/ Market method and cost method | Estimated market price (per sqm) | KD2,570 to KD2,996 | The higher the estimated market price, the higher the fair value |

**31 December 2017:**

| Description | Valuation technique | Significant unobservable input | Range of unobservable inputs | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|
| Apartments in Portugal | Transaction comparison approach/ Market method and cost method | Estimated market price (per sqm) | KD2,184 to KD2,316 | The higher the estimated market price, the higher the fair value |

**Level 3 Fair value measurements**

The group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in investment properties is given in note 17.

## 36 Risk management objectives and policies

The Group's principal financial liabilities comprise "term loans", "retention payable", "due to related parties and accounts payable and other liabilities". The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, cash and cash equivalents, loans to associates and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company's board of directors sets out policies for reducing each of the risks discussed below.

The Group does not use derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described

### 36.1 Market risk

**a) Foreign currency risk**
Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle Eastern countries, South Africa & Indian Ocean region and European countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, UAE Dirhams, UK Pounds, Euro and South African Rand. The Group's statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of continuous assessment of the Groups' open positions.

The Group had the following significant exposures denominated in foreign currencies at the reporting date, translated into Kuwaiti Dinars at the closing rates:

| | 31 Dec. 2018 Equivalent KD | 31 Dec. 2017 Equivalent KD |
|---|---|---|
| US Dollars | 1,210,871 | 4,596,211 |
| Euro | 1,311,455 | 1,659,720 |

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, a reasonable possible change in exchanges rates of the foreign currencies noted above would not have a significant impact on the Group's consolidated profit or loss.

## 36 Risk management objectives and policies (continued)

### 36.1 Market risk (continued)

### b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its term deposits and borrowings which are (both at fixed rate and floating interest rates). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

The Group does not have any off balance sheet financial instrument which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the loss for the year to a possible change in interest rates of + 1% and – 1% (2017: + 1% and –1%) with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant.

| | Increase in interest rates | | Decrease in interest rates | |
|---|---|---|---|---|
| | **31 Dec. 2018** | 31 Dec. 2017 | **31 Dec. 2018** | 31 Dec. 2017 |
| | **1%** | 1% | **1%** | 1% |
| | **KD** | KD | **KD** | KD |
| (Loss) / Profit for the year | **(1,270,750)** | (1,328,344) | **1,270,750** | 1,328,344 |

### c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is not exposed to any significant price risks as of 31 December 2018 as Group's investments are unquoted

### 36.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarized below:

| | **31 Dec. 2018** | 31 Dec. 2017 |
|---|---|---|
| | **KD** | KD |
| Available for sale investments | **-** | 2,598,565 |
| Investments at fair value through other comprehensive income | **2,392,025** | - |
| Shareholders loan given to an associate (note 7) | **4,494,590** | 4,995,379 |
| Accounts receivable and other assets (note 20) | **34,229,785** | 18,265,284 |
| Cash and cash equivalents | **56,448,479** | 8,114,607 |
| | **97,564,879** | 33,973,835 |

## 36 Risk management objectives and policies (continued)

### 36.2 Credit risk (continued)

Except for certain loans to associates and due from related parties referred in notes 7, and 20 respectively none of the above financial assets are past due nor impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

### 36.3 Concentration of assets

The distribution of financial assets by geographic region for 2018 and 2017 are as follows:

| | Kuwait | Asia & Middle East | Africa | UK & Europe | Total |
|---|---|---|---|---|---|
| | KD | KD | KD | KD | KD |
| **At 31 December 2018** | | | | | |
| Investments at fair value through other comprehensive income | **34,469** | **-** | **-** | **2,357,556** | **2,392,025** |
| Shareholders loan given to an associate | **-** | **-** | **4,494,591** | **-** | **4,494,591** |
| Accounts receivable and other assets (note 20) | **2,937,760** | **28,338,569** | **2,523,216** | **430,240** | **34,229,785** |
| Cash and cash equivalents | **156,764** | **54,327,448** | **652,813** | **1,311,454** | **56,448,479** |
| | **3,128,993** | **82,666,017** | **7,670,620** | **4,099,250** | **97,564,880** |
| **At 31 December 2017** | | | | | |
| Available for sale investments | 30,472 | - | 7,310 | 2,560,783 | 2,598,565 |
| Shareholders loan given to an associate | - | - | 4,995,379 | - | 4,995,379 |
| Accounts receivable and other assets (note 20) | 2,366,517 | 12,142,325 | 2,792,222 | 964,220 | 18,265,284 |
| Cash and cash equivalents | 276,828 | 5,888,299 | 287,903 | 1,661,577 | 8,114,607 |
| | 2,673,817 | 18,030,624 | 8,082,814 | 5,186,580 | 33,973,835 |

## 36 Risk management objectives and policies (continued)

### 36.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

| | On demand | 1-3 Months | 3-12 Months | 1-5 years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| | KD | KD | KD | KD | KD | KD |
| **At 31 December 2018** | | | | | | |
| **Financial liabilities** | | | | | | |
| Term loans | **-** | **54,889,238** | **50,435,263** | **68,776,532** | **-** | **174,101,033** |
| Retention payable | **-** | **-** | **3,031,172** | **5,106,176** | **-** | **8,137,348** |
| Due to related parties | **-** | **62,763,363** | **-** | **-** | **-** | **62,763,363** |
| Accounts payable and other liabilities | **-** | **54,904,881** | **-** | **-** | **-** | **54,904,881** |
| | **-** | **172,557,482** | **53,466,435** | **73,882,708** | **-** | **299,906,625** |
| **At 31 December 2017** | | | | | | |
| **Financial liabilities** | | | | | | |
| Term loans | - | 125,703 | 37,307,839 | 95,859,309 | - | 133,292,851 |
| Retention payable | - | - | 1,606,623 | 4,250,204 | - | 5,856,827 |
| Due to related parties | - | 45,331,806 | - | - | - | 45,331,806 |
| Accounts payable and other liabilities | - | 43,413,333 | - | - | - | 43,413,333 |
| | - | 88,870,842 | 38,914,462 | 100,109,513 | - | 227,894,817 |

## 37 Capital management objectives

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The capital of the Group consists of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the return on equity and it is calculated as profit for the year divided by total equity as follows:

| | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|
| | KD | KD |
| Loss attributable to the owners of the Parent Company | **(19,251,197)** | (5,524,919) |
| Equity attributable to the owners of the Parent Company | **40,991,283** | 63,188,694 |
| Return on equity attributable to the owners of the Parent Company | **(46.96)%** | (8.74)% |