Munshaat Real Estate Projects Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

31 MARCH 2019

EY
Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF MUNSHAAT REAL ESTATE PROJECTS COMPANY K.S.C.P.

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Munshaat Real Estate Projects Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") as at 31 March 2019, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the three-month period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard, IAS 34: *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*" A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter
We draw attention to Note 9 to the interim condensed consolidated financial information, which describes that, during the year 2015, the contractor of one of the properties of the Group in the Kingdom of Saudi Arabia has claimed an amount equivalent to KD 41 million from the Parent Company and the Parent Company has filed a counter claim against the same contractor for delay in completing the project for an amount equivalent to KD 51 million. The ultimate outcome of the matter cannot presently be determined, and accordingly no provision for any liability that may result has been made in the interim condensed consolidated financial information as at 31 March 2019.

Our conclusion is not modified in respect of this matter.

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF MUNSHAAT REAL ESTATE PROJECTS COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the three-month period ended 31 March 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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

12 May 2019
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the period ended 31 March 2019

	Notes	*Three months ended 31 March* 2019 KD	2018 KD
Operating revenue	3	**2,168,295**	2,344,724
Operating costs	3	**(2,190,692)**	(2,507,073)
Net results from hotel operations		**(22,397)**	(162,349)
Management fees		**136,129**	270,203
Net income from Sukuk		**116,240**	241,050
Net income from investment properties		**113,112**	308,315
Unrealised (loss) gain from financial assets at fair value through profit or loss		**(211,722)**	160,187
Finance income		**7,318**	13,834
Dividend income		**-**	1,250
Other income		**130,373**	74,437
Share of results of associates		**47,021**	(359,084)
General and administrative expenses		**(769,724)**	(744,597)
Depreciation		**(19,943)**	(7,090)
Finance costs		**(999,295)**	(717,346)
Net foreign exchange differences		**129,004**	(256,356)
Loss for the period before tax		**(1,343,884)**	(1,177,546)
National Labour Support Tax ("NLST")		**-**	(8,326)
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		**-**	(110)
Zakat and overseas taxation		**(64,472)**	(479,159)
Loss for the period		**(1,408,356)**	(1,665,141)
Attributable to:			
Equity holders of the Parent Company		**(1,446,710)**	(1,593,477)
Non-controlling interests		**38,354**	(71,664)
Loss for the period		**(1,408,356)**	(1,665,141)
Basic and diluted loss per share attributable to the equity holders of the Parent Company	4	**(4) Fils**	(5) Fils

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2019

	Three months ended 31 March	
	2019	*2018*
	KD	*KD*
Loss for the period	**(1,408,356)**	(1,665,141)
Other comprehensive (loss) income:		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods		
Share of other comprehensive income of an associate	**-**	1,758
Exchange differences on translation of foreign operations	**(26,942)**	(25,880)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	**(26,942)**	(24,122)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		
Change in fair value of financial assets at fair value through other comprehensive income	**(24,428)**	(34,518)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(24,428)**	(34,518)
Other comprehensive loss for the period	**(51,370)**	(58,640)
Total comprehensive loss for the period	**(1,459,726)**	(1,723,781)
Attributable to:		
Equity holders of the Parent Company	**(1,493,358)**	(1,635,284)
Non-controlling interests	**33,632**	(88,497)
	(1,459,726)	(1,723,781)

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2019

	Notes	***31 March 2019 KD***	*(Audited) 31 December 2018 KD*	*31 March 2018 KD*
ASSETS				
Non-current assets				
Property and equipment		**335,821**	102,268	43,844
Leasehold property	5	**65,749,284**	66,375,239	91,131,774
Investment properties	5	**15,260,617**	15,621,744	17,632,696
Prepaid operating lease		**1,772,540**	1,772,540	1,772,540
Investment in associates		**31,107,398**	32,798,051	36,027,016
Financial asset at fair value through profit or loss		**4,741,308**	4,953,030	5,480,299
Financial asset at fair value through other comprehensive income		**828,654**	853,082	1,095,290
		119,795,622	122,475,954	153,183,459
Current assets				
Accounts receivable and prepayments		**11,665,288**	8,313,657	13,218,727
Trading properties		**530,370**	530,370	530,370
Inventories		**947,528**	935,413	998,945
Wakala receivables		**203,052**	198,019	640,520
Bank balances and cash		**5,478,089**	5,575,413	9,599,438
		18,824,327	15,552,872	24,988,000
TOTAL ASSETS		**138,619,949**	138,028,826	178,171,459
EQUITY AND LIABILITIES				
Equity				
Share capital	7	**32,200,000**	32,200,000	32,200,000
Share premium		**12,400,000**	12,400,000	12,400,000
Statutory reserve		**11,939,162**	11,939,162	11,939,162
Voluntary reserve		**7,512,156**	7,512,156	7,512,156
Fair value reserve		**(1,617,409)**	(1,592,981)	(1,295,809)
Asset revaluation surplus		**658,251**	658,251	6,770,783
Foreign currency translation reserve		**(358,120)**	(335,900)	(486,489)
(Accumulated losses) retained earnings		**(17,418,759)**	(15,972,049)	10,606,971
Equity attributable to equity holders of the Parent Company		**45,315,281**	46,808,639	79,646,774
Non-controlling interests		**(2,223,059)**	(1,591,218)	2,451,139
Total equity		**43,092,222**	45,217,421	82,097,913
Liabilities				
Non-current liabilities				
Employees' end of service benefits		**1,256,576**	1,180,887	1,176,094
Islamic finance payables	8	**43,054,000**	43,054,000	18,743,967
Obligations under finance lease		**15,284,450**	14,886,519	15,274,025
Accounts payable and accruals		**4,537,227**	4,580,418	232,334
		64,132,253	63,701,824	35,426,420
Current liabilities				
Islamic finance payables	8	**7,585,407**	7,585,407	7,187,794
Obligations under finance lease		**1,334,191**	1,295,840	1,280,641
Accounts payable and accruals		**22,475,876**	20,228,334	52,178,691
		31,395,474	29,109,581	60,647,126
Total liabilities		**95,527,727**	92,811,405	96,073,546
TOTAL EQUITY AND LIABILITIES		**138,619,949**	138,028,826	178,171,459

Abdullah Fuad Abdullah Althaqeb
Chairman

Abdulaziz Ahmad Yousef Alsaqer
Chief Executive Officer

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2019

	Equity attributable to equity holders of the Parent Company										
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Fair value reserve KD*	*Asset revaluation surplus KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
Balance at 1 January 2019	32,200,000	12,400,000	11,939,162	7,512,156	(1,592,981)	658,251	(335,900)	(15,972,049)	46,808,639	(1,591,218)	45,217,421
Loss for the period	-	-	-	-	-	-	-	(1,446,710)	(1,446,710)	38,354	(1,408,356)
Other comprehensive loss for the period	-	-	-	-	(24,428)	-	(22,220)	-	(46,648)	(4,722)	(51,370)
Total comprehensive loss for the period	-	-	-	-	(24,428)	-	(22,220)	(1,446,710)	(1,493,358)	33,632	(1,459,726)
Non-controlling interest share of capital redemption of a subsidiary	-	-	-	-	-	-	-	-	-	(665,473)	(665,473)
Balance as at 31 March 2019	**32,200,000**	**12,400,000**	**11,939,162**	**7,512,156**	**(1,617,409)**	**658,251**	**(358,120)**	**(17,418,759)**	**45,315,281**	**(2,223,059)**	**43,092,222**
Balance as at 1 January 2018 before the adoption of IFRS 9 (Audited)	32,200,000	12,400,000	11,939,162	7,512,156	1,338,442	6,770,783	(477,442)	9,598,957	81,282,058	2,539,636	83,821,694
Transition adjustment on initial application of IFRS 9 at 1 January 2018	-	-	-	-	(2,601,491)	-	-	2,601,491	-	-	-
Balance as at 1 January 2018 (restated)	32,200,000	12,400,000	11,939,162	7,512,156	(1,263,049)	6,770,783	(477,442)	12,200,448	81,282,058	2,539,636	83,821,694
Loss for the period	-	-	-	-	-	-	-	(1,593,477)	(1,593,477)	(71,664)	(1,665,141)
Other comprehensive loss for the period	-	-	-	-	(32,760)	-	(9,047)	-	(41,807)	(16,833)	(58,640)
Total comprehensive loss for the period	-	-	-	-	(32,760)	-	(9,047)	(1,593,477)	(1,635,284)	(88,497)	(1,723,781)
Balance as at 31 March 2018	32,200,000	12,400,000	11,939,162	7,512,156	(1,295,809)	6,770,783	(486,489)	10,606,971	79,646,774	2,451,139	82,097,913

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended at 31 March 2019

	Notes	*Three months ended 31 March* **2019** **KD**	*2018* *KD*
OPERATING ACTIVITIES			
Loss for the period before taxation		**(1,343,884)**	(1,177,546)
Adjustments to reconcile (loss)income for the period to net cash flows:			
Amortisation of leasehold property	5	**723,395**	954,883
Valuation loss of investment properties	5	**380,089**	199,092
Unrealised loss (gain) from financial assets at fair value through statement income		**211,722**	(160,187)
Finance income		**(7,318)**	(13,834)
Dividend income		**-**	(1,250)
Share of results of associates		**(47,021)**	359,084
Depreciation		**19,943**	7,090
Finance costs		**999,295**	717,346
Net foreign exchange differences		**(129,004)**	256,356
Provision for employees' end of service benefits		**111,583**	106,734
		918,800	1,247,768
Working capital adjustments:			
Accounts receivable and prepayments		**(3,351,631)**	4,437,181
Inventories		**(12,115)**	(76,261)
Accounts payable and accruals		**2,185,914**	1,274,943
Cash flows (used in) from operations		**(259,032)**	6,883,631
Employees' end of service benefits paid		**(35,893)**	(2,424)
Net cash flows (used in) from operating activities		**(294,925)**	6,881,207
INVESTING ACTIVITIES			
Purchase of furniture and computers		**(105,024)**	(2,462)
Additions to leasehold property		**-**	(33,892)
Investment in wakala receivables		**(5,033)**	(98,851)
Dividends received from an associate		**879,221**	-
Dividend income received		**162,869**	1,250
Finance income received		**7,318**	13,834
Non-controlling interest share of capital redemption of a subsidiary		**(665,473)**	-
Net cash flows from (used in) investing activities		**273,878**	(120,121)
FINANCING ACTIVITIES			
Net repayment of in Islamic finance payables		**-**	(1,396,347)
Finance costs paid		**(79,970)**	(363,214)
Dividends paid to non-controlling interests		**-**	(2,220)
Dividends paid to equity holders of the Parent Company		**(1,445)**	-
Net cash flows used in financing activities		**(81,415)**	(1,761,781)
Foreign currency translation adjustment		**5,138**	(37,810)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(97,324)**	4,961,495
Bank balances and cash at the beginning of the period		**5,575,413**	4,637,943
BANK BALANCES AND CASH AT THE END OF THE PERIOD		**5,478,089**	9,599,438

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Munshaat Real Estate Projects Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2019 were authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 12 May 2019.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The registered office of the Parent Company is located at ITS Tower, Mezzanine floor, Mubarak Al Kabeer Street, Sharq and its postal address is PO Box 1393, Dasman 15464, Kuwait.

The intermediate parent company of Munshaat Real Estate Projects Company K.S.C.P, is Aref Investment Group S.A.K. ("Aref"), a closed shareholding company incorporated and domiciled in Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 24 March 2019 and are issued subject to approval of the Ordinary General Assembly of the shareholders' of the Parent Company which has not been held to date. The Ordinary General Assembly of the shareholders has the power to amend these consolidated financial statements after issuance.

The Group is principally engaged in managing real estate projects. The Parent Company's primary objectives as per the Memorandum of Incorporation are, as follows:

- To own, sell and acquire real estate properties and land and develop the same for the Parent Company's own account in the State of Kuwait and abroad; and to manage properties on behalf of third parties in accordance with the provisions stipulated under the existing laws and taking into consideration the restrictions stipulated under these laws.
- To own, sell and acquire shares and bonds of real estate companies for the Parent Company's own account in Kuwait and abroad.
- To prepare studies and provide consultancy work of all types in the real estate field; provided that the service provider meets the prerequisites.
- To own and manage hotels, health clubs and touristic facilities and to rent and lease the same.
- To carry-out all maintenance works in the buildings and real estate properties owned by the Parent Company, including all civil, mechanical and electrical works, elevators and air conditioning works in a way that maintains the safety of such properties.
- To manage, operate, invest, lease and rent hotels, clubs, motels, entertainment houses, rest places, gardens, parks, exhibitions, restaurants, cafes, residential compounds, touristic and health spas, entertainment and sports facilities and stores at different levels and grades, including all principal and auxiliary services, appended facilities and other services required therefore.
- To organise real estate exhibitions related to the real estate projects of the Parent Company pursuant to the regulations set forth by the Ministry Commerce and Industry.
- To organise real estate auctions pursuant to the regulations set forth by the Ministry of Commerce and Industry.
- To own and manage commercial complexes and residential compounds.
- To establish and manage real estate investment funds after obtaining the approval of the Capital Markets Authority.
- To utilise available financial surplus by investing the same in portfolios managed by specialised companies and entities.

The Group carries out its activities in accordance with the principles of Islamic Sharī'a as approved by the Fatwa and Sharī'a board appointed by the Parent Company.

2 BASIS OF PREPERATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Fundamental Accounting Concept

The Group incurred a net loss of KD 1,408,356 for the period ended 31 March 2019 (31 March 2018: KD 1,665,141) and, as of that date, the Group's current liabilities exceeded its current assets by KD 12,571,147 (31 December 2018: KD 13,556,709; 31 March 2018: KD 35,659,126). Further, the Group's accumulated losses amounted to KD 17,418,759 as at 31 March 2019 (31 December 2018: KD 15,972,049; 31 March 2018: retained earnings of KD 10,606,971).

Notwithstanding the above, management does not consider that these conditions indicate the existence of a material uncertainty regarding the Group's ability to continue as going concern. Accordingly, these interim condensed consolidated financial information have been prepared on a going concern basis taking into consideration the following assumptions:

- During the current period, the Group has generated revenue from its hospitality operations of KD 2,168,295 (31 March 2018: KD 2,344,724). Further, the Group's associates generated revenue of KD 4,041,843 for the period then ended (31 March 2018: KD 4,652,632). Management anticipates that its hospitality operations will continue generating positive operating cash flows.
- The Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements. The Parent Company was successful in obtaining a Tawarruq facility of KD 45.2 million from a local financial institution to settle the Ijara payable and related finance costs owed by a subsidiary, in addition to repay obligations arising from the tax claim. Management believes that the repayment of the facilities will occur as required and is confident that such repayments will be met out of operating cash flows.

As described above, management has a reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future and its ability to meet the mandatory repayment terms of the banking facilities as they fall due.

2.2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting.*

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2018.

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the annual consolidated financial statements for the financial year ended 31 December 2018, except for the adoption of new standard effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has applied, for the first time, IFRS 16 'Leases'. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

2 BASIS OF PREPERATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Impact of changes in accounting policies due to adoption of new standards

Adoption of IFRS 16 '*Leases*'
IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	KD
Assets	
Right-of-use assets (included under property and equipment)	155,953
Liabilities	
Lease liabilities (included under obligation under finance lease)	155,953

a) Nature of the effect of adoption of IFRS 16
Before the adoption of IFRS 16, the Group classified its leases (as lessee) at the inception date as operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously accounted for as operating leases
The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

b) Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.3 Impact of changes in accounting policies due to adoption of new standards (continued)

Adoption of IFRS 16 '*Leases*' (continued)

b) Summary of new accounting policies (continued)

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

3 OPERATING REVENUE AND COST

	Three months ended 31 March	
	2019	*2018*
	KD	*KD*
Operating revenue		
Hotel revenue	**2,168,295**	2,344,724
Operating cost		
Hotel operating costs	**(1,467,297)**	(1,552,190)
Amortisation of leasehold property (Note 5)	**(723,395)**	(954,883)
	(2,190,692)	(2,507,073)

4 EARNINGS PER SHARE (EPS)

Basic and diluted loss per share attributable to the equity holders of the Parent Company is calculated by dividing the loss for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months ended 31 March	
	2019	*2018*
Loss for the period attributable to the equity holders of the Parent Company (KD)	**(1,446,710)**	(1,593,477)
Weighted average number of ordinary shares outstanding during the period (shares)	**322,000,000**	322,000,000
Basic and diluted loss per share attributable to the equity holders of the Parent Company	**(4) Fils**	(5) Fils

As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

5 LEASEHOLD PROPERTY AND INVESTMENT PROPERTIES

a. Leasehold property

Leasehold property represents "Qeblah Tower", a property located in the Kingdom of Saudi Arabia and is operating as a hotel through an agreement with an international hotel operator.

The movement in leasehold property is as follows:

	31 March 2019 KD	*(Audited) 31 December 2018 KD*	*31 March 2018 KD*
At the beginning of the period/year	**66,375,239**	92,348,445	92,348,445
Provision for impairment	-	(16,992,258)	-
Valuation loss	-	(6,112,532)	-
Amortisation (note 3)	**(723,395)**	(3,835,345)	(954,883)
Additions	-	575,913	33,892
Net foreign exchange differences	**97,440**	391,016	(295,680)
At the end of the period/year	**65,749,284**	66,375,239	91,131,774

b. Investment properties

The movement in investment properties is, as follows:

	31 March 2019 KD	*(Audited) 31 December 2018 KD*	*31 March 2018 KD*
At the beginning of the period/year	**15,621,744**	17,880,374	17,880,374
Valuation loss	**(380,089)**	(2,292,859)	(199,092)
Net foreign exchange differences	**18,962**	34,229	(48,586)
At the end of the period/year	**15,260,617**	15,621,744	17,632,696

6 RELATED PARTY DISCLOSURES

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

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

	Major shareholder of the Ultimate Parent Company	*Associates*	*Other related parties*	*Three months ended 31 March*	
				2019	*2018*
	KD	*KD*	*KD*	***KD***	*KD*
Management fees income	-	39,398	96,731	**136,129**	270,203
Finance income	3,575	-	-	**3,575**	4,099
Finance costs	(678,510)	-	-	**(678,510)**	(275,190)
Management fees (expense)	-	-	(57,416)	**(57,416)**	(61,663)

6 RELATED PARTY DISCLOSURES (continued)

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

	Major shareholder of Ultimate Parent Company KD	*Major shareholders KD*	*Associates KD*	*Other related parties KD*	***31 March 2019 KD***	*(Audited) 31 December 2018 KD*	*31 March 2018 KD*
Financial asset at fair value through profit or loss	-	-	-	3,617,523	**3,617,523**	3,589,713	3,828,238
Financial asset at fair value through other comprehensive income	-	180,554	-	648,100	**828,654**	853,082	215,072
Bank balances and cash	3,481,465	-	-	-	**3,481,465**	3,764,362	2,143,181
Accounts receivable and prepayments	-	267,105	-	5,699,550	**5,966,655**	2,920,245	8,323,733
Accounts payable and accruals (current and non-current)	-	434,194	-	20,118	**454,312**	480,898	8,410,233
Islamic finance payables	45,234,000	-	-	-	**45,234,000**	45,234,000	20,226,354

Compensation of key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions and outstanding balances related to key management personnel were as follows:

	Balance outstanding as at 31 March		*Transaction values for the three months ended 31 March*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*
Salaries and short-term benefits	**106,266**	113,679	**112,829**	160,629
Post-employment benefits	**406,454**	438,730	**70,878**	44,120
	512,720	552,409	**183,707**	204,749

7 SHARE CAPITAL

	31 March 2019 KD	*(Audited) 31 December 2018 KD*	*31 March 2018 KD*
Authorised, issued and paid up capital consists of 322,000,000 (31 December 2018: 322,000,000 and 31 March 2018: 322,000,000) shares of 100 fils each, paid in cash.	**32,200,000**	32,200,000	32,200,000

The board of directors did not propose any dividends for the financial year ended 31 December 2018 which is subject to approval at the Annual General Assembly Meeting (AGM) of the shareholders (2017: Nil).

8 ISLAMIC FINANCE PAYABLES

	31 March 2019 KD	*(Audited) 31 December 2018 KD*	*31 March 2018 KD*
Current			
Murabaha payables	**5,405,407**	5,405,407	5,707,204
Tawarruq payable	**2,180,000**	2,180,000	-
Ijara payable	-	-	1,482,388
Less: deferred finance costs payable	-	-	(1,798)
	7,585,407	7,585,407	7,187,794
Non-current			
Tawarruq payable	**43,054,000**	43,054,000	-
Ijara payable	-	-	18,743,967
	43,054,000	43,054,000	18,743,967
	50,639,407	50,639,407	25,931,761

Islamic finance payables bear an average finance cost of 6% (2018: 6%) per annum and are denominated in Kuwaiti Dinar.

Murabaha payables are secured over certain of the Group's investment properties. The tawarruq facility is secured over certain of the Group's investment properties, investment in associate and subsidiaries for which the legal formalities are still in progress as at the authorisation date of these consolidated financial statements.

9 COMMITMENTS AND CONTINGENT LIABILITIES

During the year ended 31 December 2015, the contractor of one of the properties of the Group in KSA has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from the Parent Company for the delay in the execution of a certain project and various other related costs associated with the project. The Parent Company has filed a counter claim for an amount of SAR 627 million (equivalent to KD 51 million) against the same contractor for the delay in handing over the project and the operational losses incidental to the delay. The dispute has been referred to the Saudi Arbitration Committee ("SAC") and the trial proceedings are still in progress as at the authorisation date of these interim condensed consolidated financial information. However due to the considerable discrepancy in the technical reports submitted by the two parties in dispute, a specialised technical expert was appointed by SAC whose report issued on 20 March 2018 supported the Parent Company's position to a large extent.

The Group has been advised by its legal counsel that it is only possible, but not probable, that the action against the Group will succeed. Accordingly, no provision for any liability has been made in these interim condensed consolidated financial information.

10 FAIR VALUE MEASUREMENT

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

Level 1 — Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2 — Valuation techniques (for which the lowest level input that is significant to the fair value measurements directly or indirectly observable).

Level 3 — Valuation techniques (for which the lowest level input that is significant to the fair value measurements unobservable).

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

As at 31 March 2019, 31 December 2018 and 31 March 2018, the Group held the following classes of financial instruments measured at fair value:

Financial assets measured at fair value	*Total* *KD*	*Level 1* *KD*	*Level 3* *KD*
31 March 2019			
Financial assets at fair value through other comprehensive income	**828,654**	**180,554**	**648,100**
Financial assets at fair value through profit or loss	**4,741,308**	-	**4,741,308**
31 December 2018 *(Audited)*			
Financial assets at fair value through other comprehensive income	853,082	204,982	648,100
Financial assets at fair value through profit or loss	4,953,030	-	4,953,030
31 March 2018			
Financial assets at fair value through other comprehensive income	1,095,290	215,072	880,218
Financial assets at fair value through profit or loss	5,480,299	-	5,480,299

During the Period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The impact on the interim condensed consolidated financial information would be immaterial if the relevant risk variables used to fair value the unquoted equity securities were altered by 5%.

Reconciliation of fair value measurement of investment in unquoted equity securities categorised under Level 3:

31 March 2019	*Financial assets at FVOCI* *KD*	*Financial assets at FVTPL* *KD*	*Total* *KD*
As at 1 January 2019	**648,100**	**4,953,030**	**5,601,130**
Remeasurement recognised in profit or loss	-	**(211,722)**	**(211,722)**
As at 31 March 2019	**648,100**	**4,741,308**	**5,389,408**

10 FAIR VALUE MEASUREMENT (continued)

31 December 2018	***Financial assets at FVOCI KD***	***Financial assets at FVTPL KD***	***Total KD***
As at 1 January 2018	**880,218**	**5,320,111**	**6,200,329**
Remeasurement recognised in OCI	**(232,118)**	**-**	**(232,118)**
Remeasurement recognised in profit or loss	**-**	**141,623**	**141,623**
Purchases / sales (net)	**-**	**(508,704)**	**(508,704)**
As at 31 December 2018	**648,100**	**4,953,030**	**5,601,130**

31 March 2018	***Financial assets at FVOCI KD***	***Financial assets at FVTPL KD***	***Total KD***
As at 1 January 2018	880,218	5,320,111	6,200,329
Remeasurement recognised in profit or loss	-	160,188	160,188
As at 31 March 2018	880,218	5,480,299	6,360,517

	Adjusted balance as at 1 January 2018 KD*	*Remeasurement recognised in OCI KD*	*Remeasurement recognised in profit or loss KD*	*Disposals during the period KD*	*As at 31 December 2018 KD*
31 December 2018					
Financial asset at fair value through profit or loss	5,320,111	-	141,623	(508,704)	4,953,030
Financial asset at fair value through other comprehensive income	880,218	(232,118)	-	-	648,100

	Adjusted balance as at 1 January 2018 KD*	*Remeasurement recognised in OCI KD*	*Redemption recorded during the period KD*	*As at 31 March 2018 KD*
31 March 2018				
Financial asset at fair value through profit or loss	5,320,112	160,187	-	5,480,299
Financial asset at fair value through other comprehensive income	880,218	-	-	880,218

* After transition adjustment on initial application of IFRS 9.

Non-financial assets

Non-financial assets consists of leasehold property and investment properties. The fair value of the leasehold property and investment properties is categorised under level 3 of the fair value hierarchy. The movement for leasehold property and investment properties is provided in Note 5.