

**Sokouk Holding Company K.S.C.P.
and its Subsidiaries**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)**

30 SEPTEMBER 2018



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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO BOARD OF DIRECTORS OF SOKOUK HOLDING COMPANY K.S.C.P.

Report on the Interim Condensed Consolidated Financial Information

We have reviewed the accompanying interim condensed consolidated statement of financial position of Sokouk Holding Company K.S.C.P. (the “Company”) and its subsidiaries (collectively the “Group”) as at 30 September 2018, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The management of the Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 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.

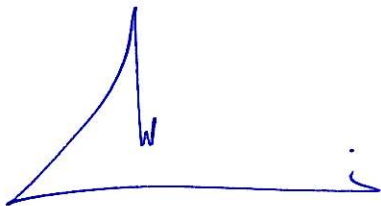
Emphasis of Matter

We draw attention to Note 5 to the interim condensed consolidated financial information which describes that during the year 2015, the contractor of one of the properties of an associate of the Company i.e. Munshaat Real Estate Projects Company K.S.C.P. (“Munshaat”), situated in the Kingdom of Saudi Arabia has claimed an amount equivalent to KD 41 million and Munshaat has filed a counterclaim 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 recognised in the interim condensed consolidated financial information as at 30 September 2018. However, there is a significant uncertainty relating to the final outcome of the proceedings as at the reporting date. Our conclusion is not modified in respect of this matter.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION TO BOARD OF DIRECTORS OF SOKOUK HOLDING 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 Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Company's Articles of Association and Memorandum of Incorporation, as amended, during the nine-month period ended 30 September 2018 that might have had a material effect on the business of the Company or on its financial position.



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

7 November 2018
Kuwait

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 KD	2017 KD	2018 KD	2017 KD
INCOME					
Hospitality income		848,135	866,225	3,313,963	3,117,743
Hospitality costs		(598,036)	(597,963)	(1,971,807)	(1,894,058)
Net hospitality income		250,099	268,262	1,342,156	1,223,685
Net income from investment properties		97,549	78,472	292,310	272,858
Share of results of associates		(553,865)	2,308,733	(1,103,525)	1,834,211
Net foreign exchange differences		480	(70)	1,003	(3,031)
Management fees		-	15,745	34,284	49,923
Other income		11,895	751	17,733	9,821
		<u>(193,842)</u>	<u>2,671,893</u>	<u>583,961</u>	<u>3,387,467</u>
EXPENSES					
Staff costs		(266,868)	(362,897)	(827,741)	(1,037,012)
Administrative expenses		(317,053)	(192,079)	(780,113)	(678,065)
Finance costs		(384,178)	(389,341)	(1,163,267)	(1,224,965)
Amortisation of leasehold property		(39,784)	(13,130)	(119,352)	(97,932)
		<u>(1,007,883)</u>	<u>(957,447)</u>	<u>(2,890,473)</u>	<u>(3,037,974)</u>
(LOSS) PROFIT BEFORE TAXATION		(1,201,725)	1,714,446	(2,306,512)	349,493
Taxation	5	(3,677,813)	-	(3,677,813)	-
(LOSS) PROFIT FOR THE PERIOD		(4,879,538)	1,714,446	(5,984,325)	349,493
Attributable to:					
Equity holders of the Company		(4,835,085)	1,753,361	(5,912,504)	440,223
Non-controlling interests		(44,453)	(38,915)	(71,821)	(90,730)
		<u>(4,879,538)</u>	<u>1,714,446</u>	<u>(5,984,325)</u>	<u>349,493</u>
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
	4	<u>(8.46) fils</u>	<u>3.07 fils</u>	<u>(10.34) fils</u>	<u>0.77 fils</u>

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2018

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>	<i>2018</i> <i>KD</i>	<i>2017</i> <i>KD</i>
(Loss) profit for the period	(4,879,538)	1,714,446	(5,984,325)	349,493
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:</i>				
- Exchange difference on translation of foreign operations	(2,364)	(10,189)	13,543	(88,414)
- Share of other comprehensive income of associates	3,890	36,809	2,864	111,242
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	1,526	26,620	16,407	22,828
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>				
- Changes in fair value of equity instruments at fair value through other comprehensive income	(135,593)	-	(91,842)	-
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	(135,593)	-	(91,842)	-
Other comprehensive (loss) income for the period	(134,067)	-	(75,435)	22,828
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(5,013,605)	1,741,066	(6,059,760)	372,321
Attributable to:				
Equity holders of the Company	(4,969,152)	1,779,981	(5,987,939)	463,051
Non-controlling interests	(44,453)	(38,915)	(71,821)	(90,730)
	(5,013,605)	1,741,066	(6,059,760)	372,321

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

At 30 September 2018

		30 September 2018	(Audited) 31 December 2017	30 September 2017
	Notes	KD	KD	KD
ASSETS				
Cash and cash equivalents		1,656,817	1,147,770	863,633
Inventories		61,876	58,303	62,718
Accounts receivable and prepayments		7,705,643	7,851,221	7,729,032
Investment properties		5,452,000	5,452,000	5,660,000
Leasehold property		2,904,242	3,023,594	3,629,020
Available-for-sale financial assets		-	2,649,680	2,925,499
Financial assets at fair value through other comprehensive income		2,557,838	-	-
Investment in associates	5	41,774,762	44,579,656	48,193,195
Sokouk utilisation rights		-	-	24,671
Property and equipment	6	32,659,513	33,410,910	34,074,164
Trading property	7	1,500,022	1,500,022	1,500,022
TOTAL ASSETS		96,272,713	99,673,156	104,661,954
EQUITY AND LIABILITIES				
Equity				
Share capital	8	59,314,500	59,314,500	59,314,500
Statutory reserve		2,895,475	2,895,475	2,895,475
Voluntary reserve		2,895,475	2,895,475	2,895,475
Treasury shares		(1,769,871)	(1,769,871)	(1,769,871)
Effect of changes in other comprehensive income of associates		(224,189)	(227,053)	323,715
Foreign currency translation reserve		54,689	41,146	115,811
Fair value reserve		(2,946,569)	-	-
Other reserves		(272,250)	(258,172)	(258,172)
Retained earnings		(65,803)	2,991,974	8,546,133
Equity attributable to equity holders of the Company		59,881,457	65,883,474	72,063,066
Non-controlling interests		1,231,637	1,289,380	981,181
Total equity		61,113,094	67,172,854	73,044,247
Liabilities				
Islamic finance payables	9	28,551,997	29,054,420	29,186,849
Accounts payable and accruals		6,109,939	2,938,543	1,940,398
Employees' end of service benefits		497,683	507,339	490,460
Total liabilities		35,159,619	32,500,302	31,617,707
TOTAL EQUITY AND LIABILITIES		96,272,713	99,673,156	104,661,954

Nawaf Musaed Abdulaziz Al-Osaimi
Chairman



Feras Fahad Al Bahar
Chief Executive Officer

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2018

Attributable to equity holders of the Company

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Treasury shares KD	Effect of changes in other comprehensive income of associates KD	Foreign currency translation reserve KD	Fair value reserve KD	Other reserves KD	Retained earnings KD	Subtotal KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2018 before the adoption of IFRS 9 (Audited)	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	-	(258,172)	2,991,974	65,883,474	1,289,380	67,172,854
Transition adjustment on initial application of IFRS 9 at 1 January 2018 (Note 3.2)	-	-	-	-	-	-	(2,854,727)	-	2,854,727	-	-	-
Adjusted balance as at 1 January 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	(2,854,727)	(258,172)	5,846,701	65,883,474	1,289,380	67,172,854
Loss for the period	-	-	-	-	-	-	-	-	(5,912,504)	(5,912,504)	(71,821)	(5,984,325)
Other comprehensive income (loss) for the period	-	-	-	-	2,864	13,543	(91,842)	-	-	(75,435)	-	(75,435)
Total comprehensive income (loss) for the period	-	-	-	-	2,864	13,543	(91,842)	-	(5,912,504)	(5,987,939)	(71,821)	(6,059,760)
Acquisition of non-controlling interests without change in control	-	-	-	-	-	-	-	(14,078)	-	(14,078)	14,078	-
Balance as at 30 September 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	(224,189)	54,689	(2,946,569)	(272,250)	(65,803)	59,881,457	1,231,637	61,113,094
At 1 January 2017	59,314,500	2,895,475	2,895,475	(1,769,871)	212,473	204,225	-	(258,172)	8,105,910	71,600,015	1,071,911	72,671,926
Profit (loss) for the period	-	-	-	-	-	-	-	-	440,223	440,223	(90,730)	349,493
Other comprehensive income (loss) for the period	-	-	-	-	111,242	(88,414)	-	-	-	22,828	-	22,828
Total comprehensive income (loss) for the period	-	-	-	-	111,242	(88,414)	-	-	440,223	463,051	(90,730)	372,321
At 30 September 2017	59,314,500	2,895,475	2,895,475	(1,769,871)	323,715	115,811	-	(258,172)	8,546,133	72,063,066	981,181	73,044,247

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2018

	<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES		
(Loss) profit for the period	(5,984,325)	349,493
<i>Adjustments to reconcile (loss) profit for the period to net cash flows:</i>		
Share of results of associates	1,103,525	(1,834,211)
Finance costs	1,163,267	1,224,965
Provision for employees' end of service benefits	38,346	170,440
Depreciation of property and equipment	660,642	746,641
Amortisation of leasehold property	119,352	97,932
	<u>(2,899,193)</u>	<u>755,260</u>
<i>Changes in operating assets and liabilities:</i>		
Inventories	(3,573)	(5,641)
Accounts receivable and prepayments	145,578	(146,517)
Accounts payable and accruals	3,296,396	(115,115)
	<u>539,208</u>	<u>487,987</u>
Cash flows from operating activities	(48,002)	(79,426)
Employees' end of service benefits paid	<u>491,206</u>	<u>408,561</u>
Net cash flows from operating activities		
INVESTING ACTIVITIES		
Additions to property and equipment	(34,245)	(29,972)
Proceeds from partial redemption of an associate	1,717,776	1,125,678
	<u>1,683,531</u>	<u>1,095,706</u>
Net cash flows from investing activities		
FINANCING ACTIVITIES		
Repayment of Islamic finance payables	(758,500)	(1,416,359)
Finance costs paid	(907,190)	(1,061,666)
	<u>(1,665,690)</u>	<u>(2,478,025)</u>
Net cash flows used in financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	509,047	(973,758)
Cash and cash equivalents at 1 January	1,147,770	1,837,391
	<u>1,656,817</u>	<u>863,633</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER		

Sokouk Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

1 CORPORATE INFORMATION

The interim condensed consolidated financial information of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group") for the nine-months ended 30 September 2018 was authorised for issue in accordance with a resolution of the directors on 7 November 2018.

The consolidated financial statements for the year ended 31 December 2017 were approved by the Company's shareholders at the Annual General Assembly meeting ("AGM") held on 6 May 2018. No dividends were declared by the Company.

The Company is registered in the State of Kuwait and was incorporated and authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department on 23 August 1998 and registered in commercial register on 29 August 1998, and subsequent amendments thereto. The Company's registered address is at P.O. Box 29110 Safat- Postal code 13152- State of Kuwait.

The Company is a subsidiary of Aref Investment Group K.S.C.C. ("Aref") (the "Parent Company"), a Kuwaiti shareholding company incorporated and domiciled in the State of Kuwait.

The main activities of the Company are, as follows:

- Ownership of shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- Ownership of movable assets or real estates required to pursue the Company's activities within the limits acceptable by law.
- Utilising available surplus funds by investing these funds in portfolios managed by specialised parties.

All activities are conducted in accordance with Islamic sharia'a as approved by the Company's Sharia'a Supervisory Board.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group has incurred a net loss of KD 5,984,325 for the nine months ended 30 September 2018 (30 September 2017: net profit of KD 349,493). Further, as of that date, the Group's current liabilities exceeded its current assets by KD 3,065,229 (31 December 2017: KD 7,046,454 and 30 September 2017: KD 6,427,872). The ability of the Group to continue as a going concern is dependent on its future profitability and its ability to generate positive operating cash flows primarily through its hospitality operations, which has earned revenues amounting to KD 3,313,963 during the nine months ended 30 September 2018 (30 September 2017: KD 3,117,743) and has recognised an operating profit of KD 1,342,156 (30 September 2017: KD 1,223,685). The management expects that the hospitality operations will continue to generate positive cash flows in the foreseeable future. This interim condensed consolidated financial information has been prepared on a going concern basis as the management has reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. In addition, certain loans and borrowings are with a related party local Islamic financial institution, and the management expects the settlement of these facilities to be met out of the operating cash flows of the Group.

The interim condensed consolidated financial information does not include any adjustments relating to the recoverability and classification of the recorded asset amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

3 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

3.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

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

3.1 Basis of preparation (continued)

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual audited consolidated financial statements, and should be read in conjunction with the Group's annual audited consolidated financial statements as at 31 December 2017.

3.2 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 2017, except for the adoption of IFRS 9: '*Financial Instruments*' and IFRS 15: '*Revenue from Contracts with Customers*', effective from 1 January 2018.

The Group has not early adopted any other standard, interpretation or amendment that has been issued or not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

IFRS 9 Financial Instruments

The Group has adopted IFRS 9 *Financial Instruments* effective from 1 January 2018 which brings together the requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The Group has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for the period ended 30 September 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018.

Classification of financial assets and financial liabilities

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

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

3.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, the contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities

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

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

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

Debt instruments at amortised cost

Classification

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

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

Accounts receivable and bank balances are classified and measured at amortised cost.

Subsequent measurement

Debt instruments categorized at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

Equity instruments at FVOCI

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2018

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

3.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

Measurement categories of financial assets and liabilities (continued)

Gains and losses on these equity instruments are no longer recycled to interim condensed consolidated statement of profit or loss. Dividends are recognised in profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the interim condensed consolidated statement of changes in equity.

Financial assets carried at fair value through profit or loss:

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cashflows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in profit or loss. Dividend income from equity investments measured at FVTPL is recognised in profit or loss when the right to the payment has been established.

Impairment of financial assets

The Group previously recognised impairment losses on financial assets based on incurred loss model, under IAS 39.

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

For the Group's financial assets, the management has applied the standard's simplified approach and has determined lifetime expected credit losses on these instruments. The management has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the counterparties and the economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due or on a case-to-case basis to assess whether the past due days are indicators of probable default. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Based on management's assessment, the adoption of IFRS 9 ECL models did not result in any material impact on the interim condensed consolidated financial information.

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

The following table shows reconciliation of original classification categories and carrying value in accordance with IAS 39 and the new classification categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

Sokouk Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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

3.2 New standards, interpretations and amendments adopted by the Group (continued)

IFRS 9 Financial Instruments (continued)

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

	<i>Classification under IAS 39</i>	<i>Classification under IFRS 9</i>	<i>Carrying amount under IAS 39 KD</i>	<i>Carrying amount under IFRS 9 KD</i>
Available-for-sale financial assets	Available-for-sale	Financial assets at FVOCI	2,649,680	2,649,680
Accounts receivable (excluding advances)	Loans and receivables	Amortised cost	7,829,734	7,829,734
Bank balances	Loans and receivables	Amortised cost	1,147,770	1,147,770

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

Impact of Adopting IFRS 9

The following table analyses the impact of transition to IFRS 9 on reserves and retained earnings:

	<i>Fair value reserve KD</i>	<i>Retained earnings KD</i>
Closing balance under IAS 39 (31 December 2017)	-	2,991,974
<i>Impact on reclassification and re-measurements:</i>		
Reclassification of equity securities from AFS to FVOCI	(2,854,727)	2,854,727
Opening balance under IFRS 9 on date of initial application as of 1 January 2018	<u>(2,854,727)</u>	<u>5,846,701</u>

Hedge accounting

The Group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Group is not dealing in any derivative instruments.

IFRS 15: Revenue from Contracts with Customers

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* effective from 1 January 2018. This standard supersedes IAS 11 *Construction Contracts* and IAS 18 *Revenue* along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. This standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for the financial year 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The key revenue streams of the group are hospitality income, real estate and investment income. The adoption of IFRS 15 did not result in any material impact on the interim condensed consolidated financial information of the Group for the period ended 30 September 2018.

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4 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
(Loss) profit for the period attributable to equity holders of the Company	(4,835,085)	1,753,361	(5,912,504)	440,223
Weighted average number of ordinary shares (excluding treasury shares) outstanding during the period	571,645,336	571,645,336	571,645,336	571,645,336
Basic and diluted (loss) earnings per share	(8.46) fils	3.07 fils	(10.34) fils	0.77 fils

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

5 INVESTMENT IN ASSOCIATES

Details of associates are set out below:

Name	<i>Equity interest %</i>			<i>Carrying value</i>		
	<i>30 September 2018</i>	<i>31 December 2017</i>	<i>30 September 2017</i>	<i>30 September 2018</i>	<i>31 December 2017</i>	<i>30 September 2017</i>
				<i>KD</i>	<i>KD</i>	<i>KD</i>
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")*	27.67%	27.67%	27.67%	17,669,623	19,070,054	24,560,516
Joint Venture – Qitaf ("Qitaf")	36.43%	36.43%	36.43%	2,658,425	2,892,529	3,459,289
The Zamzam 2013 JV ("Zamzam")	23.48%	23.48%	23.48%	21,446,714	22,617,073	20,173,390
				41,774,762	44,579,656	48,193,195

	<i>30 September 2018</i>	<i>(Audited) 31 December 2017</i>	<i>30 September 2017</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Opening balance	44,579,656	47,461,830	47,461,830
Capital redemption	(1,717,776)	(1,533,080)	(1,125,678)
Share of (loss) profit	(1,103,525)	(746,489)	1,834,211
Share of other comprehensive income (loss)	2,864	(439,526)	111,242
Foreign currency translation adjustments	13,543	(163,079)	(88,410)
Group's carrying amount of investment in associates	41,774,762	44,579,656	48,193,195

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5 INVESTMENT IN ASSOCIATES (continued)

*On 5 January 2016, an associate of the Company i.e. Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat") received a tax demand notice for SAR 1,891 million (equivalent to KD 153 million) from the General Authority of Zakat and Tax ("GAZT"), in the Kingdom of Saudi Arabia ("KSA") for the years 2003 to 2013 and claimed capital gains tax, corporate income tax, withholding tax and delay penalties ("tax claim").

The management of Munshaat appointed a tax advisor in KSA to review the tax claim and file an objection letter with GAZT. Accordingly, the tax advisor filed an objection letter on 2 March 2016 with GAZT.

Based on the advice received from the tax advisor, the management of Munshaat estimated and recorded a potential tax liability, including the aforementioned tax claim amounting to KD 30,444,311 in its consolidated statement of financial position as of the end of the immediately preceding financial year ended 31 December 2017. The potential tax liability recognised represented management's best estimate of the tax liability attributable to Munshaat and other related parties, including the Company (together referred to as the "tax entities") as of that date.

During the nine months ended 30 September 2018, Munshaat received an offer from GAZT to settle the tax claim (the "offer") amounting to SAR 288,536,073 for the fiscal period from 2003 to 2013 and SAR 122,920,182 for the fiscal period from 2014 to 2017, totaling to an amount of SAR 411,456,254 (equivalent to KD 33,299,155).

The board of directors of Munshaat in their meeting on 23 September 2018 resolved, on recommendation of the tax advisor, to accept the offer for the best interest of Munshaat and invite its shareholders for an ordinary general meeting for approval. Further, Munshaat formed an action committee to determine and allocate the tax liability attributable to each of the tax entities and appointed an independent advisor to perform the allocation exercise. The allocation exercise was completed on 17 October 2018 and approved by Munshaat's board of directors as of that date. Further, the board of directors of the Company also approved the allocation on 18 October 2018.

Accordingly, the ordinary shareholders meeting of Munshaat held on 21 October 2018 approved Munshaat's board of directors' recommendation and authorised the directors to take the necessary measures to finalise the settlement.

As a result, Munshaat recognised an additional tax expense of SAR 28,677,075 (equivalent to KD 2,320,836) during the nine months ended 30 September 2018 in the statement of profit or loss to reflect the tax settlement as of that date. The total tax liability recognised by Munshaat on the statement of financial position as at the reporting date amounted to SAR 447,682,629 (equivalent to KD 36,228,263) out of which an amount of SAR 45,441,782 (equivalent to KD 3,677,813) represents the share of the Company of the tax settlement and accordingly recognised by the Company as a payable to Munshaat within 'Accounts payable and accruals' in the statement of financial position as at 30 September 2018 with a corresponding effect recognised within 'Taxation' in the statement of profit or loss for the nine-month period then ended.

As at the date of authorisation of these interim condensed consolidated financial information, the legal formalities with GAZT relating to the tax settlement are still in progress.

Legal claim contingency in respect of an associate

During the year 2015, the contractor of one of the properties of Munshaat situated in the Kingdom of Saudi Arabia has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from Munshaat for the delay in the execution of the project and various other related costs and Munshaat has counter claimed an amount of SAR 627 million (equivalent to KD 51 million) on the same contractor for the delay in handing over the project and the operational losses. The dispute has been referred to Saudi Arbitration Committee and as on the date of this interim condensed consolidated financial information, the trial proceedings and hearings are still in progress as of the date of authorisation of this interim condensed consolidated financial information. However, the management of Munshaat, based on the advice from the legal counsel representing Munshaat in the aforesaid arbitration, believes that the outcome of the arbitration ruling will be in favor of Munshaat and also the counterclaim filed by Munshaat on the developer is higher than the amount claimed by the developer. Accordingly, as at 30 September 2018, Munshaat has not recognised any provision against this claim in the interim condensed consolidated financial information.

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6 PROPERTY AND EQUIPMENT

Property and equipment represent costs of freehold land and building.

The fair value of land and building was independently determined at 31 December 2017 for impairment purposes. The valuation was performed by two accredited independent valuers with recognised and relevant professional qualification and recent experience in the location and category of the property being valued. The land and building are valued using the income capitalisation method. Management is of the view that no significant changes have occurred in the fair value during the period ended 30 September 2018.

Cumulative borrowing costs amounting to KD 3,916,007 (31 December 2017: KD 3,916,007 and 30 September 2017: KD 3,916,007) have been capitalised as additions to property and equipment.

Property and equipment of KD 32,640,557 (31 December 2017: KD 33,381,422 and 30 September 2017: KD 34,074,164) are pledged as collateral against Islamic finance payables of KD 21,000,000 (31 December 2017: KD 21,000,000 and 30 September 2017: KD 21,000,000) (Note 9).

7 TRADING PROPERTY

During the year 2012, the Company acquired a trading property at a fair value of KD 1,500,022 in lieu of settlement of a wakala receivable from the borrower. The title of this property was transferred to the Company on 16 September 2012. However, during the year 2016, the management became aware that there is an ongoing lawsuit between the borrower and a third party in relation to the ownership of this property. As a result, any transfer of the title of this property was subject to the final outcome of the ongoing lawsuit.

During the period, the Court of Cassation has issued its final verdict in favour of the Company supporting the ownership of the trading property.

8 SHARE CAPITAL AND OTHER RESERVES

a) Share capital

Authorised, issued and fully paid-up capital amounting to KD 59,314,500 (31 December 2017: KD 59,314,500, 30 September 2017: KD 59,314,500) consist of 593,145,000 (31 December 2017: 593,145,000 30 September 2017: 593,145,000) shares of 100 fils each, paid in cash.

b) Treasury shares

	30 September 2018	(Audited) 31 December 2017	30 September 2017
Number of treasury shares	21,499,664	21,499,664	21,499,664
Percentage of share capital	3.6%	3.6%	3.6%
Cost of treasury shares – KD	1,769,871	1,769,871	1,769,871
Market value – KD	988,985	1,021,234	1,031,984
Weighted average market price – fils	47.6	48.8	48.4

An amount equivalent to the cost of the treasury shares held are not available for distribution from the Company's voluntary reserve throughout the holding period of these treasury shares as per the requirements of the Capital Market Authority ('CMA').

9 ISLAMIC FINANCE PAYABLES

Islamic finance payables amounting to KD 25,216,547 (31 December 2017: KD 25,213,851 and 30 September 2017: KD 22,965,081) represent facilities obtained from local Islamic financial institutions and are secured by property and equipment amounting to KD 32,640,557 (31 December 2017: KD 33,381,422 and 30 September 2017: KD 34,074,164) (Note 6) and investment properties amounting to KD 5,452,000 (31 December 2017: KD 5,452,000 and 30 September 2017: KD 5,660,000).

During the period, the Group did not breach any of its loan covenants, nor did it default on any other obligations under its loan agreement.

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10 RELATED PARTY TRANSACTIONS

Related parties represent Parent Company, major shareholders, associates, directors and key management personnel of the Group, and companies of which they 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 Company's management.

Transactions and balances with related parties included in the interim condensed consolidated financial information are, as follows:

	Major shareholder of the Parent Company		Associates		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD		KD		KD	
Statement of profit or loss:						
Management fees	-	-	34,284	34,284	-	-
Finance costs	267,393		-	267,393		316,914

Major shareholder of the Parent Company

	Major shareholder of the Parent Company		Associates		Others		(Audited)	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	31 December 2017	30 September 2017	30 September 2017	
	KD		KD		KD		KD	
Amounts due from related parties	-	-	6,682,142	19,263	6,701,405	6,630,307	6,753,297	
Amounts due to related parties	-	121,845	5,195,296	13,100	5,330,241	173,982	592,155	
Islamic finance payables	5,919,037	-	-	-	5,919,037	6,454,420	6,586,849	

Amounts due from / due to related parties are interest free and have no fixed repayment schedule.

Key management compensation

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 related to key management personnel were as follows:

	Three months ended		Nine months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	KD		KD	
Salaries and other short term benefits	72,021	71,795	220,551	249,277
End of service benefits	8,616	18,958	25,567	43,502
	<u>80,637</u>	<u>90,753</u>	<u>246,118</u>	<u>292,779</u>

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11 SEGMENT INFORMATION

For management purposes, the Company is organised into three major business segments. The principal activities and services under these segments are as follows:

- Investment: Managing direct investments and investments in subsidiaries and associates;
- Real estate: Managing investment properties; and
- Hotel operations: Consist of the hospitality services provided through the Millennium hotel and convention center, Kuwait.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

The following table presents segment revenue, expenses, results information of the Group's operating segments for the nine months ended 30 September 2018 and 2017:

<i>Nine months ended 30 September 2018</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	3,313,963	292,310	(1,103,525)	53,020	2,555,768
Segment expenses	(3,892,089)	(334,929)	(157,717)	(477,545)	(4,862,280)
Segment results	<u>(578,126)</u>	<u>(42,619)</u>	<u>(1,261,242)</u>	<u>(424,525)</u>	<u>(2,306,512)</u>
<i>Nine months ended 30 September 2017</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Segment revenue	3,117,743	275,834	1,834,211	53,737	5,281,525
Segment expenses	(3,809,553)	(354,664)	(169,420)	(598,395)	(4,932,032)
Segment results	<u>(691,810)</u>	<u>(78,830)</u>	<u>1,664,791</u>	<u>(544,658)</u>	<u>349,493</u>

The following table presents assets and liabilities for the Group's operating segments as at 30 September 2018, 31 December 2017 and 30 September 2017, respectively:

<i>As at 30 September 2018</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	<u>33,240,905</u>	<u>10,265,568</u>	<u>50,988,178</u>	<u>1,778,062</u>	<u>96,272,713</u>
Total liabilities	<u>23,932,330</u>	<u>284,860</u>	<u>5,407,241</u>	<u>5,535,188</u>	<u>35,159,619</u>
<i>(Audited) As at 31 December 2017</i>	<i>Hotel Operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	<u>34,243,243</u>	<u>10,294,661</u>	<u>53,840,143</u>	<u>1,295,109</u>	<u>99,673,156</u>
Total liabilities	<u>23,956,741</u>	<u>2,717,214</u>	<u>3,840,569</u>	<u>1,985,778</u>	<u>32,500,302</u>
<i>As at 30 September 2017</i>	<i>Hotel operations KD</i>	<i>Real estate KD</i>	<i>Investment KD</i>	<i>Others KD</i>	<i>Total KD</i>
Total assets	<u>34,556,628</u>	<u>11,134,703</u>	<u>57,945,278</u>	<u>1,025,345</u>	<u>104,661,954</u>
Total liabilities	<u>24,493,963</u>	<u>299,938</u>	<u>6,221,768</u>	<u>602,038</u>	<u>31,617,707</u>

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12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The maturity profile of assets and liabilities is, as follows:

<i>30 September 2018</i>	<i>Within 1 year KD</i>	<i>After 1 year KD</i>	<i>Total KD</i>
ASSETS			
Cash and cash equivalents	1,656,817	-	1,656,817
Inventories	61,876	-	61,876
Accounts receivable and prepayments	7,377,992	327,651	7,705,643
Investment properties	-	5,452,000	5,452,000
Leasehold property	-	2,904,242	2,904,242
Financial assets at fair value through other comprehensive income	-	2,557,838	2,557,838
Investment in associates	-	41,774,762	41,774,762
Property and equipment	-	32,659,513	32,659,513
Trading property	1,500,022	-	1,500,022
TOTAL ASSETS	10,596,707	85,676,006	96,272,713
LIABILITIES			
Islamic finance payables	7,551,997	21,000,000	28,551,997
Accounts payable and accruals	6,109,939	-	6,109,939
Employees' end of service benefits	-	497,683	497,683
TOTAL LIABILITIES	13,661,936	21,497,683	35,159,619
<i>(Audited)</i>	<i>Within</i>	<i>After</i>	<i>Total</i>
<i>31 December 2017</i>	<i>1 year KD</i>	<i>1 year KD</i>	<i>KD</i>
ASSETS			
Cash and cash equivalents	1,147,770	-	1,147,770
Inventories	58,303	-	58,303
Accounts receivable and prepayments	1,240,414	6,610,807	7,851,221
Investment properties	-	5,452,000	5,452,000
Leasehold property	-	3,023,594	3,023,594
Available-for-sale financial assets	-	2,649,680	2,649,680
Investment in associates	-	44,579,656	44,579,656
Property and equipment	-	33,410,910	33,410,910
Trading property	1,500,022	-	1,500,022
TOTAL ASSETS	3,946,509	95,726,647	99,673,156
LIABILITIES			
Islamic finance payables	8,054,420	21,000,000	29,054,420
Accounts payable and accruals	2,938,543	-	2,938,543
Employees' end of service benefits	-	507,339	507,339
TOTAL LIABILITIES	10,992,963	21,507,339	32,500,302

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12 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

30 September 2017	Within 1 year KD	After 1 year KD	Total KD
ASSETS			
Cash and cash equivalents	863,633	-	863,633
Inventories	62,718	-	62,718
Accounts receivable and prepayments	902,449	6,826,583	7,729,032
Investment properties	-	5,660,000	5,660,000
Leasehold property	-	3,629,020	3,629,020
Available-for-sale financial assets	-	2,925,499	2,925,499
Investment in associates	-	48,193,195	48,193,195
Sokouk utilisation rights	-	24,671	24,671
Property and equipment	-	34,074,164	34,074,164
Trading property	1,500,022	-	1,500,022
TOTAL ASSETS	3,328,822	101,333,132	104,661,954
Liabilities			
Islamic finance payables	8,186,849	21,000,000	29,186,849
Accounts payable and accruals	1,569,845	370,553	1,940,398
Employees' end of service benefits	-	490,460	490,460
TOTAL LIABILITIES	9,756,694	21,861,013	31,617,707

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

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 30 September 2018, 31 December 2017 and 30 September 2017, the Group held the following class of financial instrument measured at fair value:

Financial assets measured at fair value	Total KD	Level 3 KD
30 September 2018		
<i>Financial assets at fair value through other comprehensive income:</i>		
Unquoted equity security	2,557,838	2,557,838

The Group's investment in unquoted security was previously accounted at cost less impairment (in accordance with IAS 39). At the date of initial application of IFRS 9, the Group measured the investment at fair value. As a result, the fair value measurement of the unquoted security was recognised in Level 3 for the first time.

The management has used the price to book value multiples approach to fair value the financial assets at fair value through other comprehensive income.

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13 FAIR VALUE MEASUREMENT (continued)

Description of significant unobservable inputs to valuation

Unquoted equity security is fair valued based on the price to book value multiples approach and adjusted for lack of marketability discount (DLOM).

The table below indicates the impact on the interim condensed consolidated statement of financial position or the interim condensed consolidated statement of changes in equity if the DLOM used to fair value the unquoted security was altered by 5%.

	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Illiquidity discount</i>	<i>Sensitivity of the input to fair value</i>
Unquoted equity security	Price to book value multiple approach	DLOM *	9%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 138,262.

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

Non-financial assets

Non-financial assets consists of leasehold property and investment properties. The impairment assessment is performed using the income approach using valuation models consistent with the principles in IFRS 13. The leasehold property is carried at cost less accumulated amortisation and impairment in the interim condensed consolidated financial information of the Group.

Further, the investment properties are valued using the market comparable approach. The valuations are performed by accredited independent valuers with a recognised and relevant qualifications and with recent experience in the locations and categories of the properties being valued. Investment properties are categorised within level 2 of the fair value hierarchy.