SOKOUK HOLDING COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SOKOUK HOLDING COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Material Uncertainty Related to Going Concern and Impact of COVID-19

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of KD 3,892,119 during the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by KD 17,980,868. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 26 related to the inherent uncertainties in relation to the potential impact of the COVID-19 pandemic, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 11 to the consolidated financial statements 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 filed a claim against Munshaat for 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 consolidated financial statements as at and for the year ended 31 December 2019. Our opinion is not modified in respect of this matter.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters

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

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

a) Impairment of investment in associates

The Group has investment in associates as at 31 December 2019 that are accounted for under the equity method of accounting, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition share of results and change in the Group's share of net assets of associates less any impairment losses.

The management assesses the need to recognise an impairment based on the comparison of the recoverable value of the associates to their carrying values in the books of account. The recoverable amount of the material associates is determined based on the fair value of the underlying leasehold properties that are determined by independent valuers who have experience in the valuation of properties in the relevant jurisdiction.

The fair values of underlying leasehold properties were determined based on a discounted cash flows model that is highly dependent on estimates and assumptions such as average room rate, revenue per available room, occupancy rate and discount rates. The share of results reflect the Group's share of results of operations of the associates based on the financial information of the associates.

As part of our audit procedures, we assessed whether the management has identified any indications of impairment in its investees, including significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business also considering any changes in the investee's financial condition. We have reviewed the management's assessment of the reasonableness of key assumptions, including profit forecasts and the selection of growth rates. We challenged the management to substantiate its assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts. We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the consolidated financial statements of the Group.

Additionally, we have also assessed the adequacy of disclosures relating to Group's investment in associates in Note 11 to the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matters (continued)

b) Impairment of property and equipment

Property and equipment of the Group represent a significant part of the total assets of the Group and are carried at cost less accumulated depreciation and any impairment in value as at 31 December 2019. Property and equipment mainly include freehold land and building that is being used for Hotel operations. The management has assessed, in accordance with the requirements of relevant IFRS, whether there are any significant external adverse changes including market, economic, technological or legal environment factors in which the Group operates or internal observable factors including failure to meet budgeted and forecasted earnings in the current and prior years; that may trigger indicators of impairment that will either impact the carrying value or the remaining useful life of land and building. The management has also considered certain additional factors such as maintenance status, market knowledge and historical transactions. Further, the management obtained external valuation reports to support their judgment of whether any indicators of impairment exists as at the reporting date. The valuations provided by the external valuer are based on the market approach, which mainly uses the data of comparable properties.

Given the significance of these assets and the associated depreciation expense of the building to the consolidated financial statements as a whole and the assumptions used by the management in assessing whether there are any indicators of impairment, we have identified impairment of property and equipment as a key audit matter. The accounting policies relating to property and equipment and the judgments and assumptions used by the management in assessing the indicators of impairment are disclosed in Note 3.6 to the consolidated financial statements.

Our audit procedures included, among other things, evaluation of management's assessment of indicators of impairment as at the reporting date. As described above, the key inputs used by the management in assessing whether there are any indicators of impairment of property and equipment included market related data such as the local economic factors, technological or legal environment specifically to the State of Kuwait and also certain internal information relating to the cash flows generated by the Hotel operations.

We have challenged the assumptions and estimates made by management of the Group and the external valuers in the valuation methodology about the appropriateness of the property related data supporting the estimated recoverable amount.

We have also considered the objectivity, independence and competence of the external valuers. With respect to the valuation of land, we have evaluated the reasonableness of the value provided by the external valuer by benchmarking it with the publicly available real estate research reports. Further, we have also assessed the appropriateness of the disclosures relating to the property and equipment of the Group in Note 12 to the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2019 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group' 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

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

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

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

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

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 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

14 June 2020
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	***2019*** ***KD***	*2018* *KD*
INCOME			
Hospitality income		**4,772,682**	4,473,935
Hospitality costs		**(2,698,196)**	(2,619,392)
Net hospitality income		**2,074,486**	1,854,543
Net income from investment properties	5	**391,252**	383,583
Share of results of associates	11	**371,688**	(8,619,750)
Net foreign exchange differences		**-**	(11,741)
Management fees		**66,997**	50,536
Gain on sale of trading property		**-**	63,538
Other income		**41,105**	133,320
		2,945,528	(6,145,971)
EXPENSES			
Staff costs		**(1,010,262)**	(1,144,061)
Administrative expenses		**(931,360)**	(1,133,006)
Provisions and impairment losses	6	**(3,393,599)**	(690,566)
Amortisation of leasehold property	9	**(116,985)**	(159,137)
Change in fair value of investment properties	8	**(20,000)**	(52,000)
Finance costs		**(1,345,232)**	(1,546,196)
		(6,817,438)	(4,724,966)
LOSS BEFORE TAX		**(3,871,910)**	(10,870,937)
Taxation	11	**(20,209)**	(3,731,672)
LOSS FOR THE YEAR		**(3,892,119)**	(14,602,609)
Attributable to:			
Equity holders of the Company		**(3,421,880)**	(14,523,334)
Non-controlling interests		**(470,239)**	(79,275)
		(3,892,119)	(14,602,609)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	4	**(5.99) fils**	(25.41) fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	***2019 KD***	*2018 KD*
LOSS FOR THE YEAR		**(3,892,119)**	(14,602,609)
Other comprehensive loss			
Other comprehensive (loss) income to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		**(1,988)**	14,758
Share of other comprehensive loss of associates	11	**(22,663)**	(1,618,797)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(24,651)**	(1,604,039)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:			
Net loss on equity instruments designated at fair value through other comprehensive income		**(847,710)**	(539,801)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		**(847,710)**	(539,801)
Other comprehensive loss for the year		**(872,361)**	(2,143,840)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(4,764,480)**	(16,746,449)
Attributable to:			
Equity holders of the Company		**(4,294,241)**	(16,667,174)
Non-controlling interests		**(470,239)**	(79,275)
		(4,764,480)	(16,746,449)

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	***2019 KD***	*2018 KD*
ASSETS			
Cash and cash equivalents		**3,579,465**	2,090,867
Inventories		**62,746**	61,897
Accounts receivable and prepayments	7	**2,113,747**	1,351,894
Investment properties	8	**5,380,000**	5,400,000
Leasehold property	9	**1,747,894**	2,105,740
Financial assets at fair value through other comprehensive income	10	**1,069,985**	2,109,879
Investment in associates	11	**28,734,934**	30,800,004
Property and equipment	12	**29,636,716**	32,687,934
TOTAL ASSETS		**72,325,487**	76,608,215
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**59,314,500**	59,314,500
Statutory reserve	15	**2,895,475**	2,895,475
Voluntary reserve	16	**2,895,475**	2,895,475
Treasury shares	17	**(1,769,871)**	(1,769,871)
Effect of changes in other comprehensive income of associates		**(1,868,513)**	(1,845,850)
Foreign currency translation reserve		**53,916**	55,904
Fair value reserve		**(3,933,038)**	(3,394,528)
Other reserves		**(272,250)**	(272,250)
Accumulated losses		**(11,649,466)**	(8,839,875)
Equity attributable to equity holders of the Company		**45,666,228**	49,038,980
Non-controlling interests		**751,705**	1,221,944
Total equity		**46,417,933**	50,260,924
Liabilities			
Islamic finance payables	18	**23,737,029**	24,842,869
Accounts payable and accruals	19	**1,798,688**	1,007,004
Employees' end of service benefits		**371,837**	497,418
Total liabilities		**25,907,554**	26,347,291
TOTAL EQUITY AND LIABILITIES		**72,325,487**	76,608,215

Nawaf Musaed Abdulaziz Al-Osaimi
Chairman

Ahmad Abdulaziz Al-Nafisi
Vice Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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*	*Accumulated losses KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,845,850)	55,904	(3,394,528)	(272,250)	(8,839,875)	49,038,980	1,221,944	50,260,924
Loss for the year	-	-	-	-	-	-	-	-	(3,421,880)	(3,421,880)	(470,239)	(3,892,119)
Other comprehensive loss for the year	-	-	-	-	(22,663)	(1,988)	(847,710)	-	-	(872,361)	-	(872,361)
Total comprehensive loss for the year	-	-	-	-	(22,663)	(1,988)	(847,710)	-	(3,421,880)	(4,294,241)	(470,239)	(4,764,480)
Gain on redemption from equity instrument designated at FVOCI	-	-	-	-	-	-	309,200	-	612,289	921,489	-	921,489
At 31 December 2019	**59,314,500**	**2,895,475**	**2,895,475**	**(1,769,871)**	**(1,868,513)**	**53,916**	**(3,933,038)**	**(272,250)**	**(11,649,466)**	**45,666,228**	**751,705**	**46,417,933**

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2019

	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 / (Accumulated losses) KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2018 as previously reported (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
Impact of adopting IFRS 9	-	-	-	-	-	-	(2,854,727)	-	2,691,485	(163,242)	(2,239)	(165,481)
Restated opening balance under IFRS 9	59,314,500	2,895,475	2,895,475	(1,769,871)	(227,053)	41,146	(2,854,727)	(258,172)	5,683,459	65,720,232	1,287,141	67,007,373
Loss for the year	-	-	-	-	-	-	-	-	(14,523,334)	(14,523,334)	(79,275)	(14,602,609)
Other comprehensive loss for the year	-	-	-	-	(1,618,797)	14,758	(539,801)	-	-	(2,143,840)	-	(2,143,840)
Total comprehensive loss for the year	-	-	-	-	(1,618,797)	14,758	(539,801)	-	(14,523,334)	(16,667,174)	(79,275)	(16,746,449)
Acquisition of non-controlling interests without change in control	-	-	-	-	-	-	-	(14,078)	-	(14,078)	14,078	-
At 31 December 2018	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,845,850)	55,904	(3,394,528)	(272,250)	(8,839,875)	49,038,980	1,221,944	50,260,924

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
OPERATING ACTIVITIES			
Loss for the year before tax		**(3,871,910)**	(10,870,937)
Adjustments to reconcile loss for the year before tax to net cash flows:			
Share of results of associates	11	**(371,688)**	8,619,750
Dividend income		**-**	(11,123)
Depreciation of property, plant and equipment	12	**817,966**	858,367
Depreciation of right-of-use assets	12	**177,564**	-
Provisions and impairment losses	6	**3,393,599**	690,566
Amortisation of leasehold property	9	**116,985**	159,137
Change in fair value of investment properties	8	**20,000**	52,000
Finance costs on debts and borrowings		**1,298,225**	1,546,196
Finance costs on lease liabilities	19	**47,007**	-
Provision for employees' end of service benefits		**103,539**	95,482
		1,731,287	1,139,438
Working capital adjustments:			
Accounts receivable and prepayments		**492,874**	6,539,201
Inventories		**(849)**	(3,594)
Accounts payable and accruals		**(27,451)**	(456,539)
Trading property		**-**	1,500,022
Cash flows from operating activities		**2,195,861**	8,718,528
End of service benefits paid		**(229,120)**	(105,403)
Taxes paid		**-**	(5,081,672)
Net cash flows from operating activities		**1,966,741**	3,531,453
INVESTING ACTIVITIES			
Dividend income received		**-**	11,123
Purchase of property and equipment	12	**(282,345)**	(176,995)
Proceeds from partial redemption of an associate		**2,412,107**	3,335,263
Net cash flows from investing activities		**2,129,762**	3,169,391
FINANCING ACTIVITIES			
Repayment of Islamic finance payables		**(1,084,565)**	(4,154,792)
Finance costs paid		**(1,319,500)**	(1,602,955)
Payment of principal portion of lease liabilities		**(203,840)**	-
Net cash flows used in financing activities		**(2,607,905)**	(5,757,747)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,488,598**	943,097
Cash and cash equivalents at 1 January		**2,090,867**	1,147,770
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**3,579,465**	2,090,867
Non-cash items excluded from the consolidated statement of cash flows:			
ECL opening balance adjustment (adjusted with accounts receivable and prepayments)		**-**	165,481
Transitional adjustment to lease liabilities on adoption of IFRS 16		**538,467**	-
Transitional adjustment to property and equipment on adoption of IFRS 16		**(538,467)**	-

The attached notes 1 to 26 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 11 June 2020. The shareholders of the Company have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The shareholders of the Company at the AGM held on 28 May 2019 approved the consolidated financial statements for the year ended 31 December 2018. No dividends were declared by the shareholders at the AGM.

The Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Company's head office is located at ITS Tower, 3rd floor, Mubarak Al Kabeer Street, Sharq and its registered postal address is at P.O. Box 29110 Safat 13152 - State of Kuwait.

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

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

- Owning 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.
- Owning 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.

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

2 FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred a net loss of KD 3,892,119 for the year ended 31 December 2019 (2018: KD 14,602,609) and, as of that date, the Group's current liabilities exceeded its current assets by KD 17,980,868 (2018: KD 1,545,215). Further, the Group's accumulated losses amounted to KD 11,649,466 as at the reporting date (2018: 8,839,875).

In addition to the above, the COVID-19 outbreak has developed rapidly in 2020. As explained in Note 26 *Subsequent event,* measures taken by various governments to contain the virus could negatively impact the Group's financial performance, cash flows and financial position.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in Note 18 taking into consideration the following assumptions:

- The Group is principally engaged in providing hospitality services. The revenue earned and net hospitality income recognised from hotel operations for the year ended 31 December 2019 amounted to KD 4,772,682 and KD 2,074,486 respectively (2018: KD 4,473,935 and KD 1,854,543 respectively).
- The Group had positive operating cash flows of KD 1,966,741 for the year ended 31 December 2019 (2018: KD 3,531,453).
- The Group has access to a sufficient variety of sources of funding and has a reasonable expectation that debt maturing within 12 months can be rolled over with existing lenders.
- The Group maintains sufficient cash to meet liquidity needs in the event of an unforeseen interruption in cash flows.
- The Group has taken and will take a number of measures to monitor and prevent the effects of the COVID-19 virus through compensating cost saving measures and reductions to discretionary capital expenditure.

Based on the facts and circumstances known at this moment and the possible scenarios about how the COVID-19 virus and resulting government measures could evolve, management has determined that the use of the going concern assumption is warranted, but that there is a material uncertainty resulting from COVID-19 that may cast significant doubt upon the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared on a historical cost basis except for investment in equity securities and investment properties that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinar ("KD"), which is also the Company's functional currency.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION (continued)

3.2.1 Group information

The consolidated financial statements of the Group include the following subsidiaries:

Name of subsidiary	*Principal activities*	*Country of incorporation*	*% equity interest 2019*	*% equity interest 2018*
Gulf Real Estate Development House Company K.S.C. (Closed)	Real estate	Kuwait	**87.99%**	87.99%
Sokouk Real Estate Company K.S.C. (Closed)*	Real estate	Kuwait	**96.52%**	96.52%
Sokouk Al Oula Trading Company W.L.L.*	Real estate	Kuwait	**99%**	99%
Sokouk Al Kuwaitia Trading Company W.L.L.*	Real estate	Kuwait	**99%**	99%

* The remaining shares/ units in these subsidiaries are held by other related parties on behalf of the Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

3.2.2 Material partly-owned subsidiary

Financial information of subsidiaries that have material non-controlling interests (NCI) is provided below:

Proportion of equity interest held by non-controlling interests:

	2019	*2018*
Gulf Real Estate Development House Company K.S.C. (Closed)	**12.01%**	12.01%

	2019 KD	*2018 KD*
Accumulated balances of material non-controlling interests:		
Gulf Real Estate Development House Company K.S.C. (Closed)	**751,705**	1,221,944

	2019 KD	*2018 KD*
Loss allocated to material non-controlling interests:		
Gulf Real Estate Development House Company K.S.C. (Closed)	**(470,239)**	(79,275)

The summarised financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2019 KD	*2018 KD*
Summarised statement of profit or loss		
Revenue	**4,412,966**	4,107,679
Cost of sales	**(2,513,588)**	(2,426,664)
Other income	**238**	25,366
Operating expenses	**(4,572,950)**	(1,142,511)
Finance costs on lease liabilities	**(41,083)**	-
Finance costs on debts and borrowings	**(1,202,934)**	(1,208,381)
Total comprehensive loss	**(3,917,351)**	(644,511)
Attributable to non-controlling interests	**(470,239)**	(79,275)

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION (continued)

3.2.2 Material partly-owned subsidiary (continued)

	2019	*2018*
	KD	*KD*
Summarised statement of financial position		
Non-current assets	**29,493,852**	32,671,564
Current assets	**1,025,052**	849,773
Non-current liabilities	**(22,406,009)**	(22,563,576)
Current liabilities	**(1,850,239)**	(777,754)
Total equity	**6,262,656**	10,180,007
Attributable to:		
Equity holders of the Company	**5,510,951**	8,958,063
Non-controlling interest	**751,705**	1,221,944

	2019	*2018*
	KD	*KD*
Summarised cash flow information		
Operating	**1,904,883**	1,086,344
Investing	**(218,069)**	(164,672)
Financing	**(1,649,817)**	(855,899)
Net increase in cash and cash equivalents	**36,997**	65,773

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

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 on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from 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 to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

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

	KD
ASSETS	
Right-of-use assets (included in property and equipment)	**538,467**
LIABILITIES	
Lease liabilities (included in accounts payable and accruals)	**538,467**

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. Refer to Note (b) below for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

a) Nature of the effect of adoption of IFRS 16
Prior to 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 for most leases 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. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. 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.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of -use assets of KD 538,467 (included in property and equipment) were recognised.
- Additional lease liabilities of 538,467 (included in accounts payable and accrual) were recognised.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 *Leases* (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	KD
Operating lease commitments as at 31 December 2018	**639,040**
Weighted average incremental borrowing rate as at 1 January 2019	**6%**
Less:	
Commitments relating to short-term leases	**(19,840)**
Lease liabilities as at 1 January 2019	**538,467**

b) Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office premises and staff accommodation 3-5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (3.5.5) *Impairment of non-financial assets*.

ii) 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 *Leases* (continued)

b) Summary of new accounting policies (continued)

Group as a lessee (continued)

ii) Lease liabilities (continued)
In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest 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 interest 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) 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 equipment that are considered of low value (i.e., below €5,000). 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.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.4 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 3: *Definition of a Business*
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

Amendments to IAS 1 and IAS 8: *Definition of Material*
In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.5.1 Revenue recognition
The Group is in the business of providing hospitality and real estate services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group's key sources of income include:

Hospitality income
Hospitality income is recognised upon rendering of related services to the customers.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Revenue from sale of properties
The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.5.3 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds..

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.5.4 Financial instruments - initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group has not designated any financial assets as at fair value through profit or loss and has no debt instruments at fair value through OCI.

a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Since the Group's financial assets (trade and other receivables, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.4 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

b) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.4 Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities comprise loans and borrowings, lease liabilities, and trade and other payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including Islamic finance payables)

The Group has not designated any financial liability as at fair value through profit or loss as financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost

Islamic finance payables
After initial recognition, profit-bearing Islamic finance payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Accounts payable and accruals
Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.5 Impairment of non-financial assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

3.5.6 Cash and short-term deposits
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

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

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

The financial statements of the associates are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3.5.8 Property and equipment
Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land is not depreciated.

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

▸ Building	50 years
▸ Furniture, fixtures and equipment	3 to 5 years
▸ Motor vehicles	3 to 5 years

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

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.5.9 Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. Cost represents purchase cost determined on a weighted average costs basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

3.5.10 Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.11 Leases
The Group has changed its accounting policy for leases where the Group is the lessee. The new policy and the impact of the change are described in Note 3.3.

Policy applicable before 1 January 2019
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.14 Foreign currencies

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Group companies
The assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

3.5.15 Fair value measurement
The Group measures financial instruments and non-financial assets such as investment properties at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.15 Fair value measurement (continued)
For financial instruments that are recognised in the consolidated financial statements 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

3.5.16 Contingencies
Contingent liabilities are not recognised but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

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

3.5.17 Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

3.5.18 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3.5.19 Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of real estate
Management decides on acquisition of real estate whether it should be classified as trading property, property held for development or investment property. The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.6.1 Significant judgments

Classification of real estate (continued)
The Group classifies real estate as property under development if it is acquired with the intention of development. The Group classifies real estate as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use and as leasehold property if it is acquired for or the future use is estimated to be for operations and to generate operating cash flows.

Classification of financial assets
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar environment. The IBR therefore reflects what the Group ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Going concern assessment
The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the necessary resources to continue in business for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

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

Provision for expected credit loss (ECL) on trade and other receivables
The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Group’s trade and other receivables is disclosed in Note 7.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.6.2 Estimates and assumptions (continued)

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

Valuation of investment properties
The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*.

Investment properties are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 8.

Useful lives of property and equipment
Management of the Group assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 BASIC AND DILUTED LOSS PER SHARE (EPS)

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

	2019	*2018*
Loss for the year attributable to equity holders of the Company (KD)	**(3,421,880)**	(14,523,334)
Weighted average number of ordinary shares (shares)*	**571,645,336**	571,645,336
Basic and diluted EPS attributable to the equity holders of the Parent Company	**(5.99)**	(25.41)

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

4 BASIC AND DILUTED LOSS PER SHARE (EPS) (continued)

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

5 NET INCOME FROM INVESTMENT PROPERTIES

	2019 ***KD***	*2018* *KD*
Rental income	**428,680**	427,010
Property operating costs	**(37,428)**	(43,427)
	391,252	383,583

6 PROVISIONS AND IMPAIRMENT LOSSES

	2019 ***KD***	*2018* *KD*
Provision for (reversal of) impairment of property and equipment (Note 12)	**3,293,792**	(83,396)
Impairment loss on leasehold property (Note 9)	**240,861**	758,717
Reversal of provision for expected credit losses (Note 7)	**(154,673)**	-
Provision for expected credit losses of trade and other receivables (Note 7)	**13,619**	15,245
	3,393,599	690,566

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019 ***KD***	*2018* *KD*
Financial assets:		
Trade receivables	**751,104**	614,364
Receivables from related parties (Note 13)	**58,662**	488,223
Other receivables	**1,225,624**	220,329
Less: Allowance for expected credit losses	**(304,365)**	(445,419)
	1,731,025	877,497
Non-financial assets:		
Prepaid expenses	**58,855**	83,230
Advances	**323,867**	391,167
	382,722	474,397
	2,113,747	1,351,894

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

Note 22.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables and amounts due from related parties. Other classes within accounts receivable do not contain impaired assets.

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

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

	2019 KD	*2018 KD*
At 1 January (under IAS 39)	**445,419**	271,043
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	**-**	165,481
Opening provision for impairment of receivables	**445,419**	436,524
Provision for expected credit losses (Note 6)	**13,619**	15,245
Reversal of provision (Note 6)	**(154,673)**	-
Write-off	**-**	(6,350)
At 31 December	**304,365**	445,419

8 INVESTMENT PROPERTIES

	2019 KD	*2018 KD*
At 1 January	**5,400,000**	5,452,000
Loss on valuation of investment properties	**(20,000)**	(52,000)
At 31 December	**5,380,000**	5,400,000

Investment properties comprise of buildings located in Kuwait.

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are industry specialists in valuing these types of investment properties. For each of the property one of these valuers is a local bank who has valued the investment properties using cost approach method and the other is a local reputable accredited valuer who has valued the investment properties using the combination of the market comparison approach for the land and cost approach for the construction work executed to date. In regard to measurement of investment properties in the consolidated financial statements, the management has considered the lower of the two valuations as per Law No. 7 of CMA regulations.

Investment properties are pledged as security for Islamic financing payables (Note 18).

Fair value hierarchy

The fair value measurement of investment properties has been categorised as level 2 within the fair value hierarchy based on inputs to the valuation technique used.

The significant inputs used in the fair value measurements, together with a quantitative sensitivity analysis as at 31 December 2019 and 2018 are set out below:

	Kuwait	
	2019 KD	*2018 KD*
Estimated market price for the land (per sqm) (KD)	**1,567**	1,525
Construction costs (per sqm) (KD)	**122**	126
Average monthly rent (per sqm) (KD)	**3.7**	3.7
Yield rate	**7.95%**	7.88%
Occupancy rate	**95%**	96%

Significant increases (decreases) in the above assumptions in isolation would result in a significantly higher (lower) fair value on a linear basis.

9 LEASEHOLD PROPERTY

	2019	*2018*
	KD	*KD*
As at 1 January	**2,105,740**	3,023,594
Amortisation charge for the year	**(116,985)**	(159,137)
Impairment loss (Note 6)	**(240,861)**	(758,717)
As at 31 December	**1,747,894**	2,105,740

Leasehold property represents the Group's investment in 8th floor of Pullman Zamzam Al Madinah located in the Kingdom of Saudi Arabia, with carrying value of KD 1,747,894 (2018: KD 2,105,740). Leasehold property is amortised over the leasehold term of 21 years and is measured at cost less accumulated amortisation and impairment. Leasehold property was capitalised in February 2016 after receiving the notification of commencement of operations from the property manager.

The leasehold property is subject to impairment for which the Group has carried out an annual assessment. The assessment is conducted by determining the value in use (VIU) of the property located in Kingdom of Saudi Arabia ("KSA") using a discounted cash flow method ("DCF"), as described below. These VIU estimates were performed by accredited independent valuers with recognised and relevant professional qualifications and recent experience in the location and category of the properties being valued. The VIU models applied are consistent with the principles in IAS 36 '*Impairment of Assets'*.

Description of valuation techniques used and key unobservable made in determining the VIU of the leasehold property:

Valuation technique	**Significant unobservable inputs**	**Range**	
		2019	*2018*
DCF			
	▸ Estimated average room rate in Saudi Riyals (SAR)	450 - 561	475 - 610
	▸ Long term RevPAR growth*	2.00% - 4.90%	1.50% - 12.00%
	▸ Occupancy rate	74% - 76 %	72% - 76 %
	▸ Discount rate	9.50%	11.50%
	▸ Inflation rate	2.00%	3.00%
	▸ Gross operating profit	57% - 59%	52% - 60%

10 INVESTMENT SECURITIES

	2019	*2018*
	KD	*KD*
Financial assets at fair value through other comprehensive income:		
Unquoted equity securities	**1,069,985**	2,109,879
	1,069,985	2,109,879

During the current year, the Group derecognised certain investments with a carrying value of KD 192,184. The resultant gain recorded in OCI amounted to KD 921,489 for the year then ended. There is no cash inflow from this transaction and the disposal proceeds were adjusted against Account receivable and prepayments.

The fair value hierarchy and basis of valuation is disclosed in Note 23.

11 INVESTMENT IN ASSOCIATES

The Group has investment in the following associates:

Name of entity	*Country of incorporation*	*% equity interest* *2019*	*% equity interest* *2018*	*Carrying amount* *2019* *KD*	*Carrying amount* *2018* *KD*
Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat")*	Kuwait	**27.67**	27.67	**9,753,949**	9,531,258
Joint Venture – Qitaf ("Qitaf")	Kuwait	**36.43**	36.43	**2,439,333**	2,587,100
The Zamzam 2013 JV ("Zamzam")	Kuwait	**23.48**	23.48	**16,541,652**	18,681,646
				28,734,934	30,800,004

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

Reconciliation to carrying amounts	*2019* *KD*	*2018* *KD*
At 1 January	**30,800,004**	44,579,656
Share of results	**371,688**	(8,619,750)
Share of other comprehensive loss	**(22,663)**	(1,618,797)
Capital redemption	**(2,412,107)**	(3,335,263)
Other movement	**-**	(220,600)
Exchange differences	**(1,988)**	14,758
At 31 December	**28,734,934**	30,800,004

11 INVESTMENT IN ASSOCIATES (continued)

The following table illustrates summarised financial information of the Group's investment in its associates:

	Munshaat KD	*Qitaf KD*	*ZamZam KD*	*2019 KD*	*2018 KD*
Summarised statement of financial position of associates:					
Non-current assets	**112,528,943**	**6,162,296**	**75,058,693**	**193,749,932**	211,861,971
Current assets	**17,232,207**	**552,359**	**10,704,872**	**28,489,438**	26,624,468
Non-current liabilities	**(60,481,444)**	**-**	**-**	**(60,481,444)**	(63,701,824)
Current liabilities	**(24,998,008)**	**18,708**	**(12,943,434)**	**(37,922,734)**	(40,593,653)
Non-controlling interests	**3,022,462**	**-**	**-**	**3,022,462**	1,591,218
Equity	**47,304,160**	**6,733,363**	**72,820,131**	**126,857,654**	135,782,180
Group's share in equity (%)	**27.67%**	**36.43%**	**23.48%**		
Group's carrying amount of the investment	**13,089,061**	**2,452,964**	**17,098,167**	**32,640,192**	34,762,642
Summarised statement of profit or loss of associates:					
Revenue	**11,087,841**	**1,076,570**	**20,477,880**	**32,642,291**	31,799,645
Profit (loss) for the year	**826,867**	**(400,163)**	**1,229,444**	**1,656,148**	(34,125,057)
Group's share of profit (loss) for the year	**228,794**	**(145,779)**	**288,673**	**371,688**	(8,619,750)
Group's share of other comprehensive loss for the year	**(6,103)**	**-**	**(16,560)**	**(22,663)**	(1,618,797)

The management has carried out the assessment of Group's investment in associates to identify any indicators of impairment. The management has considered factors such as changes in the investee's financial condition, any significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business. Further, the management has assessed the recoverable value of the investment in associates based on fair value of leasehold properties carried in the books of the associates. The fair value of the underlying leasehold properties is determined by independent valuers using the discounted cash flow models using assumptions and inputs such as average room rate, revenue per available room, occupancy rate and the discount rates. Based on such analysis, the management has concluded that there is no indication that its investments in associates are impaired.

The market value of investment in Munshaat (based on the quoted market price) as at 31 December 2019 is KD 6,592,975 (2018: KD 8,909,740).

Qitaf and Zamzam are not listed and consequently do not have quoted market prices are available. Management considers that the fair values of the underlying associate are unlikely to be materially different from their carrying values.

11 INVESTMENT IN ASSOCIATES (continued)

Tax claim related to Munshaat

On 5 January 2016, 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 prior year, 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 taxable 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 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 prior year in the consolidated 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 46,107,087 (equivalent to KD 3,731,672) represents the share of the Company of the tax settlement and accordingly recognised by the Company within 'Taxation' in the statement of profit or loss for the year then ended.

During the year 2018, Munshaat has settled the full amount to GAZT for the tax claims up to 31 December 2017.

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 ("SAC") and as on the date of these consolidated financial statements, the trial proceedings and hearings are still in progress. 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 Munshaat's position to a large extent.

Munshaat has been advised by its legal counsel that it is only possible, but not probable, that the action against Munshaat will succeed. Accordingly, Munshaat has not recognised any provision for any liability has been made in the consolidated financial statements.

12 PROPERTY AND EQUIPMENT

	Land *KD*	*Building* *KD*	*Furniture, fixtures and equipment* *KD*	*Motor vehicles* *KD*	*Construction in progress* *KD*	*Right-of-use asset* *KD*	*Total* *KD*
Cost:							
At 1 January 2018	10,297,000	23,940,033	2,071,052	107,877	10,715	-	36,426,677
Additions	-	-	39,443	-	137,552	-	176,995
Discount from a contractor	-	(125,000)	-	-	-	-	(125,000)
At 31 December 2018	10,297,000	23,815,033	2,110,495	107,877	148,267	-	36,478,672
Recognition of right-of-use asset on initial application of IFRS 16 (Note 3.3)	-	-	-	-	-	538,467	538,467
Adjusted balance at 1 January 2019	10,297,000	23,815,033	2,110,495	107,877	148,267	538,467	37,017,139
Additions	-	-	327,465	-	-	417,292	744,757
Transfers	-	-	141,460	-	(141,460)	-	-
Discount from a contractor	-	(45,120)	-	-	-	-	(45,120)
At 31 December 2019	**10,297,000**	**23,769,913**	**2,579,420**	**107,877**	**6,807**	**955,759**	**37,716,776**
Depreciation and impairment:							
At 1 January 2018	-	1,657,075	1,304,231	54,461	-	-	3,015,767
Reversal of previously recognised impairment loss (Note 6)	-	(83,396)	-	-	-	-	(83,396)
Depreciation charge for the year	-	467,876	368,917	21,574	-	-	858,367
At 31 December 2018	-	2,041,555	1,673,148	76,035	-	-	3,790,738
Impairment loss (Note 6)	-	3,293,792	-	-	-	-	3,293,792
Depreciation charge for the year	-	469,225	327,165	21,576	-	177,564	995,530
At 31 December 2019	**-**	**5,804,572**	**2,000,313**	**97,611**	**-**	**177,564**	**8,080,060**
Net book value:							
At 31 December 2018	10,297,000	21,773,478	437,347	31,842	148,267	-	32,687,934
At 31 December 2019	**10,297,000**	**17,965,341**	**579,107**	**10,266**	**6,807**	**778,195**	**29,636,716**

12 PROPERTY AND EQUIPMENT (continued)

Set out below, are the carrying amount of the Group's right-of-use asset and the movement during the year:

	2019 *KD*
At 1 January 2019	**538,467**
Additions to right-of-use assets	**417,292**
Depreciation expense of right-of-use assets	**(177,564)**
At 31 December 2019	**778,195**

Capitalised borrowing costs
Included in the property and equipment amount are capitalised borrowing costs related to the acquisition of the land and the construction of the hotel of KD 3,916,007 (2018: KD 3,916,007), calculated using a capitalisation rate of 5.25%.

Land and building
Land and building with carrying amount of KD 28,804,076 (2018: KD 32,666,512) are pledged as security for Islamic finance payables (Note 18).

Impairment losses related to a real estate property
At the reporting date, the Group assessed whether there is an indication that land and building may be impaired through assessing factors such as significant external adverse changes including market, economic, technological or legal environment factors in which the Group operates or internal observable factors including failure to meet budgeted and forecasted earnings in the current and prior years; that may trigger indicators of impairment that will either impact the carrying value or the remaining useful life of land and building. The management has also considered certain additional factors such as maintenance status, market knowledge and historical transactions.

Based on management assessment and the valuation performed by two independent real estate valuers with experience in the locations and category of the property being valued., the Group recognised an impairment loss of KD 3,293,792 to reduce the carrying amount of the property to its recoverable amount. In 2018, KD 83,396 of previously recognised losses were reversed (Note 6).

13 RELATED PARTY DISCLOSURES

Related parties represent Parent Company, Ultimate Parent Company, major shareholders, associates, joint ventures, 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.

The following tables shows the aggregate value of transactions and outstanding balances with related parties:

	Major shareholder of the Parent Company	*Associates*	*2019* *KD*	*2018* *KD*
Statement of profit or loss:				
Management fees	**-**	**66,997**	**66,997**	50,536
Finance costs	**114,558**	**-**	**114,558**	353,067

13 RELATED PARTY DISCLOSURES (continued)

	Major shareholders of the Parent Company KD	*Parent Company KD*	*Associates KD*	*Other related parties KD*	*2019 KD*	*2018 KD*
Statement of financial position:						
Receivables from related parties	**-**	**-**	**47,030**	**11,632**	**58,662**	488,223
Payables to related parties	**-**	**121,845**	**47**	**37,087**	**158,979**	234,039
Islamic finance payables	**1,497,029**	**-**	**-**	**-**	**1,497,029**	2,402,869

Terms and conditions of transactions with related parties
Except for Islamic finance payables, other outstanding balance with related parties are unsecured and interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2018: KD Nil).

Key management transactions
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 December		*Transaction values for the year ended 31 December*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*
Salaries and other short term benefits	**17,897**	54,905	**155,271**	285,179
End of service benefits	**69,853**	285,284	**11,684**	39,561
	87,750	340,189	**166,955**	324,740

14 SHARE CAPITAL

Authorised, issued and fully paid-up capital amounting to KD 59,314,500 (2018: KD 59,314,500) consist of 593,145,000 (2018: 593,145,000) shares of 100 fils each, paid in cash.

15 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. During the year, no transfer has made to statutory reserve for the year since the Group has incurred losses.

16 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. No transfers were made during the year as the Group has incurred losses.

17 TREASURY SHARES

	2019	*2018*
Number of treasury shares	**21,499,664**	21,499,664
Percentage of capital	**3.60%**	3.60%
Cost – KD	**1,769,871**	1,769,871
Market value – KD	**752,488**	849,237
Weighted average market price – fils	**38.7**	47.2

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

18 ISLAMIC FINANCE PAYABLES

	Currency	***Effective interest rate (EIR)***	***2019 KD***	*2018 KD*
Secured	Kuwaiti Dinar	6%	**23,737,029**	24,842,869

Islamic finance payables amounting to KD 23,737,029 (2018: KD 24,842,869) are secured by certain of the Group's investment properties (Note 8) and property and equipment (Note 12)

Banking covenants vary according to each loan agreement. A future breach of covenant may require the Group to repay the Islamic finance payables on demand. During the year, the Group did not breach any of its loan covenants, nor did it default on any other of its obligations under its loan agreements.

19 ACCOUNTS PAYABLE AND ACCRUALS

	2019 KD	*2018 KD*
Payables to suppliers	**332,923**	113,184
Advances from customers	**-**	64,065
Payables to related parties (Note 13)	**158,979**	234,039
Retentions payable	**-**	95,120
Staff payables	**108,669**	120,256
Lease liabilities	**798,926**	-
Other payables	**399,191**	380,340
	1,798,688	1,007,004

For maturity analysis and explanations on the Group's liquidity risk management processes, refer to Note 22.2.

19 ACCOUNTS PAYABLE AND ACCRUALS (continued)

Set out below, are the carrying amount of the Group's lease liabilities and the movement during the year:

	2019 *KD*
At 1 January 2019	**538,467**
Additions	**417,292**
Finance costs	**47,007**
Payments	**(203,840)**
At 31 December 2019	**798,926**
Current	**193,311**
Non-current	**605,615**

20 SEGMENT INFORMATION

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

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

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 year ended 31 December 2019 and 2018:

2019	*Hotel operations KD*	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Segment revenue	**4,772,920**	**398,013**	**371,688**	**101,103**	**5,643,724**
Segment expenses	**(5,202,402)**	**(360,249)**	**-**	**(3,952,983)**	**(9,515,634)**
Segment results	**(429,482)**	**37,764**	**371,688**	**(3,851,880)**	**(3,871,910)**
Depreciation	**(794,438)**	**-**	**-**	**(23,528)**	**(817,966)**
Share of results of associates	**-**	**-**	**371,688**	**-**	**371,688**
Provision for impairment of property and equipment	**(3,293,792)**	**-**	**-**	**-**	**(3,293,792)**
Provision for expected credit losses of trade and other receivables - net	**-**	**-**	**-**	**(141,054)**	**(141,054)**
Other disclosures:					
Investment in associate	**-**	**-**	**28,734,934**	**-**	**28,734,934**

20 SEGMENT INFORMATION (continued)

2018	*Hotel operations KD*	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Segment revenue	4,473,935	498,646	(8,608,627)	109,467	(3,526,579)
Segment expenses	(5,692,936)	(512,522)	(3,939,408)	(931,164)	(11,076,030)
Segment results	(1,219,001)	(13,876)	(12,548,035)	(821,697)	(14,602,609)
Other information:					
Depreciation	(858,367)	-	-	-	(858,367)
Share of results of associates	-	-	(8,619,750)	-	(8,619,750)
Reversal of impairment of property and equipment	83,396	-	-	-	83,396
Provision for expected credit losses of trade and other receivables	(12,065)	-	-	(3,180)	(15,245)
Other disclosures:					
Investment in associate	-	-	30,800,004	-	30,800,004

The following table presents assets and liabilities for the Group's operating segments as at the reporting date:

2019	***Hotel operations KD***	***Real estate KD***	***Investment KD***	***Others KD***	***Total KD***
Total assets	**30,457,772**	**7,793,559**	**32,557,586**	**1,516,570**	**72,325,487**
Total liabilities	**23,846,945**	**260,022**	**1,240,000**	**560,587**	**25,907,554**

2018	*Hotel operations KD*	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Total assets	33,375,104	8,308,134	34,598,632	326,345	76,608,215
Total liabilities	23,348,121	356,540	2,076,876	565,754	26,347,291

21 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

31 December 2019	***Within 1 year KD***	***Over 1 year KD***	***Total KD***
ASSETS			
Cash and cash equivalents	**3,579,465**	**-**	**3,579,465**
Inventories	**62,746**	**-**	**62,746**
Accounts receivable and prepayments	**1,913,747**	**200,000**	**2,113,747**
Investment properties	**-**	**5,380,000**	**5,380,000**
Leasehold property	**-**	**1,747,894**	**1,747,894**
Financial assets at FVOCI	**-**	**1,069,985**	**1,069,985**
Investment in associates	**-**	**28,734,934**	**28,734,934**
Property and equipment	**178,885**	**29,457,831**	**29,636,716**
TOTAL ASSETS	**5,734,843**	**66,590,644**	**72,325,487**
LIABILITIES			
Islamic finance payables	**22,537,064**	**1,199,965**	**23,737,029**
Accounts payable and accruals	**1,178,647**	**620,041**	**1,798,688**
Employees' end of service benefits	**-**	**371,837**	**371,837**
TOTAL LIABILITIES	**23,715,711**	**2,191,843**	**25,907,554**
NET LIQUIDTY GAP	**(17,980,868)**	**64,398,801**	**46,417,933**

31 December 2018	*Within 1 year KD*	*Over 1 year KD*	*Total KD*
ASSETS			
Cash and cash equivalents	2,090,867	-	2,090,867
Inventories	61,897	-	61,897
Accounts receivable and prepayments	1,151,894	200,000	1,351,894
Investment properties	-	5,400,000	5,400,000
Leasehold property	-	2,105,740	2,105,740
Financial assets at FVOCI	-	2,109,879	2,109,879
Investment in associates	-	30,800,004	30,800,004
Property and equipment	-	32,687,934	32,687,934
TOTAL ASSETS	3,304,658	73,303,557	76,608,215
LIABILITIES			
Islamic finance payables	3,842,869	21,000,000	24,842,869
Accounts payable and accruals	1,007,004	-	1,007,004
Employees' end of service benefits	-	497,418	497,418
TOTAL LIABILITIES	4,849,873	21,497,418	26,347,291
NET LIQUIDTY GAP	(1,545,215)	51,806,139	50,260,924

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise bank borrowings and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, bank balances and cash that derive directly from its operations. The Group also holds investments in equity instruments.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

22.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily rental income receivables), including cash at banks and other financial instruments.

The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements. The credit risk on bank balances is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

Risk concentration of maximum exposure to credit risk

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

	2019	*2018*
	KD	*KD*
Cash and cash equivalents	**3,579,465**	2,090,867
Trade receivables	**446,739**	316,373
Receivables from related parties	**58,662**	488,223
Other receivables (excluding advances and prepayments)	**1,225,624**	220,329
	5,310,490	3,115,792

Trade receivables

At 31 December, the exposure to credit risk by type of counterparty was as follows:

	2019	*2018*
	KD	*KD*
Government sector	**169,254**	178,779
Corporate customers	**277,485**	137,594
	446,739	316,373

The Group monitors significant changes in the balances of trade receivables on an ongoing basis throughout each reporting period using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 365 days past due. The Group does not hold collateral as security.

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.1 Credit risk (continued)

Expected credit loss assessment for trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	Trade receivables		
	Days past due		
	< 365 days	*> 365 days*	*Total*
31 December 2019	*KD*	*KD*	*KD*
Expected credit loss rate*	**16.20%**	**87.08%**	**40.52%**
Estimated total gross carrying amount at default	**493,337**	**257,767**	**751,104**
Expected credit loss	**79,912**	**224,453**	**304,365**

	Trade receivables		
	Days past due		
	< 365 days	*> 365 days*	*Total*
31 December 2018	*KD*	*KD*	*KD*
Expected credit loss rate*	19.32%	88.81%	48.50%
Estimated total gross carrying amount at default	356,331	258,033	614,364
Expected credit loss	68,843	229,148	297,991

* represents average credit loss rate

Cash and cash equivalents

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

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Accordingly, management identified impairment loss to be immaterial.

Amounts due from related parties and other receivables

As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

22.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and any debt maturing within 12 months can be rolled over with existing lenders.

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Liquidity risk (continued)

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

	On demand KD	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 Years KD***	***Total KD***
31 December 2019					
Islamic finance payables	**-**	**294,279**	**22,838,009**	**1,259,963**	**24,392,251**
Accounts payable and accruals*	**158,979**	**344,020**	**496,763**	**-**	**999,762**
Lease liabilities	**-**	**54,960**	**164,880**	**701,440**	**921,280**
TOTAL LIABILITIES	**158,979**	**693,259**	**23,559,650**	**1,901,405**	**26,313,293**

	On demand KD	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 Years KD*	*Total KD*
31 December 2018					
Islamic finance payables	-	304,013	3,316,259	23,026,215	26,646,487
Accounts payable and accruals*	234,039	358,427	350,473	-	942,939
TOTAL LIABILITIES	234,039	662,440	3,666,732	23,026,215	27,589,426

******excluding advances from customers*

22.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, other payables, cash at bank, equity investments and certain accounts receivable.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

22.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in floating interest rates will affect future profitability or the fair values of financial instruments.

The Group's interest rate risk primarily arises from its loans and borrowings. The Group is subject to limited exposure to interest rate risk due to the fact that most of its loans and borrowings are fixed-rate Islamic instruments and may be repriced immediately based on market movement in interest rates.

22.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD, primarily United States Dollars ("USD") and Saudi Riyals ("SAR"). The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's investments.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3 Market risk

22.3.2 Foreign currency risk (continued)
The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and liabilities at the reporting date:

	2019	*2018*
	KD	*KD*
USD	**2,455,593**	2,110,480

Sensitivity analysis
A reasonably possible 5% strengthening (weakening) of the KD against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Effect on loss for the year before tax	
	2019	*2018*
	KD	*KD*
Currency		
US Dollars	**122,780**	105,524

An equal change in the opposite direction would have increase loss for the year by the same amount.

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

The primary goal of the Group's investment in equity securities is to hold the investments for the long term for strategic purposes.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 1,069,985 (2018: KD 2,109,879). Sensitivity analyses of these investments have been provided in Note 23.

23 FAIR VALUE MEASUREMENT

i) Financial instruments
Management assessed that the carrying value of financial instruments at amortised cost is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

The following methods and assumptions were used to estimate the fair values for financial instruments measured at fair value on a recurring basis:

Unlisted equity securities
The fair value of unlisted equity investment has been estimated using a market-based valuation technique. The Group determines comparable public companies (peers) based on industry, size and leverage and calculates an appropriate trading multiple for the comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The Group classifies the fair value of these investments as Level 3.

23 FAIR VALUE MEASUREMENT (continued)

i) Financial instruments (continued)

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2019 and 2018 are shown below:

	Valuation techniques	*Significant unobservable inputs*	*DLOM*	*Sensitivity of the input to fair value*
Unquoted equity security	Price to book value multiple approach	DLOM *	25%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 62,940.

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

Reconciliation of fair value measurement of non-listed equity investments classified as equity instruments designated at fair value through OCI:

	2019 ***KD***	*2018* *KD*
As at 1 January	**2,109,879**	2,649,680
Remeasurement recognised in OCI	**(847,710)**	(539,801)
Redemption	**(192,184)**	-
As at 31 December	**1,069,985**	2,109,879

ii) 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 consolidated financial statements of the Group.

Investment properties are measured at fair value. The fair value hierarchy and basis of valuation of investment properties is disclosed in Note 8.

24 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is ‘net debt’ divided by total capital plus net debt. The Group’s policy is to keep the gearing ratio between 20% and 40%. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital represents equity attributable to the equity holders of the Company.

24 CAPITAL MANAGEMENT (continued)

	2019	*2018*
	KD	*KD*
Islamic finance payables (Note 18)	**23,737,029**	24,842,869
Trade and other payables (Note 19)	**1,798,688**	1,007,004
Less: Cash and cash equivalents	**(3,579,465)**	(2,090,867)
Net debt	**21,956,252**	23,759,006
Equity attributable to the equity holders of the Company	**45,666,228**	49,038,980
Capital and net debt	**67,622,480**	72,797,986
Gearing ratio	**32%**	33%

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No change were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

25 COMMITMENTS AND CONTINGENCIES

25.1 Operating lease commitments

From 1 January 2019, the Company has recognised ROU assets and lease liabilities for the leases it has entered into (except for short-term and low-value leases) and accordingly no longer presents operating lease commitments. Having applied the modified retrospective approach to the implementation of IFRS 16, the Company has continued to present the comparative financial information for the aggregate payments, for which there were commitments under operating leases as follows as at 31 December:

	2018
	KD
Future minimum lease payments:	
Within one year	127,808
After one year but not more than five years	511,232
	639,040

25.2 Contingent liabilities and other commitments

The Group had no contingent liabilities or capital commitments as at 31 December 2019 or 2018.

26 SUBSEQUENT EVENT

After the reporting date, a novel strain of coronavirus (COVID-19) was reported in Kuwait and internationally. The World Health Organisation has declared the outbreak to constitute a "Public Health Emergency of International Concern". The COVID-19 outbreak has caused business disruption through voluntary and mandated closing of businesses by Governmental Authorities. While the disruption is currently expected to be temporary, economic uncertainties have arisen. The existing and anticipated effects of the outbreak of COVID-19 on the economy is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position. Given the ongoing economic uncertainty, a reliable estimate of the ultimate impact cannot be made at the date of authorisation of these consolidated financial statements.

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