



**Commercial Real Estate Company K.P.S.C.**  
**and its subsidiaries**  
**State of Kuwait**

**Consolidated Financial Statements and Independent Auditors' Report**  
**For the year ended 31 December 2019**



**Commercial Real Estate Company K.P.S.C.**  
and its subsidiaries  
State of Kuwait

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For the year ended 31 December 2019

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## **Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C.**

State of Kuwait

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Commercial Real Estate Company K.P.S.C (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement income, 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, 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.

#### **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. The following are the key audit matters identified and how we addressed them in our audit.

##### *Valuation of Investment Properties*

The Group's investment properties portfolio is carried at KD 377,023,226 in the consolidated statement of financial position and the net fair value gain recorded in the consolidated statement of profit or loss is KD 1,863,235.

The determination of the fair value of these investment properties is based on internal and external valuations using discounted cash flows over the Group's estimated holding period, income capitalisation method and the sales comparable approach for the respective asset. The Group's discounted future cash flows analysis and the assessment of expected remaining holding period and income projections on the existing operating assets requires management to make significant estimates and assumptions related to future occupancy levels, growth rates, rental rates and discount rates. Consequently the valuation of investment properties is a key audit matter due to the significant judgments applied and estimates made. In addition, the existence of significant estimation uncertainty warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements.

In the event that the fair value of a real estate asset is higher or lower than its carrying amount, the Group will recognize a fair value adjustment in its consolidated statement of profit or loss.

## **Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)**

State of Kuwait

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### **Key Audit Matters (continued)**

##### *Valuation of Investment Properties (continued)*

Our Audit Procedures included the following:

- We evaluated the design and implementation of relevant controls related to the valuation of investment properties.
- We assessed the valuer's competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes.
- We agreed the total valuation in the valuers report to the amount reported in the consolidated statement of financial position.
- We tested the data inputs underpinning the investment property valuation for a sample of properties, including lease income, by agreeing them to supporting documentation to assess the reliability, completeness and accuracy of the underlying data.
- We also compared a sample of the valuations to our independently formed market expectations and challenged any differences.
- Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made.
- We reperformed the arithmetical accuracy of the determination of recoverable amounts.
- We assessed the disclosures made in the consolidated financial statements against the requirements of IFRSs.

#### **Other Information**

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The annual report for the year 2019 is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### **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.

## **Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)**

State of Kuwait

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### **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.

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 statement. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## **Independent Auditor's Report to the Shareholders of Commercial Real Estate Company K.P.S.C. (continued)**

State of Kuwait

### **Report on the Audit of the Consolidated Financial Statements (continued)**

#### **Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2019 that might have had a material effect on the business of the Group or on its consolidated financial position.



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**Talal Yousef Al-Muzaini**

Licence No. 209A

Deloitte & Touche - Al Wazzan & Co.

Kuwait, 10 March 2020

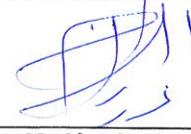
**Consolidated Statement of Financial Position as at 31 December 2019**

(All amounts are in Kuwaiti Dinar)

	Notes	2019	2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	24,208,755	24,881,238
Investment property	6	377,023,226	370,400,645
Investments in associates	7	47,039,108	47,308,182
Investments at FVOCI	8	<u>38,678,198</u>	<u>34,252,835</u>
		<u>486,949,287</u>	<u>476,842,900</u>
<b>Current assets</b>			
Land and properties held for trading	9	13,685,607	13,180,088
Investments at fair value through profit or loss	10	22,906,744	20,750,539
Receivables and other debit balances	11	11,287,721	9,974,210
Cash and cash equivalents	12	<u>4,024,768</u>	<u>1,622,383</u>
		<u>51,904,840</u>	<u>45,527,220</u>
<b>Total assets</b>		<u><b>538,854,127</b></u>	<u><b>522,370,120</b></u>
<b>Equity and liabilities</b>			
<b>Equity attributable to the shareholders of the Parent Company</b>			
Share capital	13	178,708,714	178,708,714
Share premium		1,308,384	1,308,384
Treasury shares	14	(3,196,562)	(3,599,426)
Statutory reserve	15	38,443,068	36,941,642
Voluntary reserve	16	28,580,127	27,829,414
Other reserve	17	5,200,726	5,374,271
Retained earnings		<u>45,449,385</u>	<u>46,917,225</u>
<b>Total equity attributable to shareholders of the Parent Company</b>		<u>294,493,842</u>	<u>293,480,224</u>
Non-controlling interests		<u>22,714,131</u>	<u>22,064,705</u>
<b>Total equity</b>		<u><b>317,207,973</b></u>	<u><b>315,544,929</b></u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Employees' end of service indemnity		953,146	949,902
Lease liabilities		2,542,755	-
Financing from third party	18	<u>188,646,441</u>	<u>150,886,386</u>
		<u>192,142,342</u>	<u>151,836,288</u>
<b>Current liabilities</b>			
Payables and other credit balances	19	15,910,199	17,237,231
Financing from third party	18	<u>13,593,613</u>	<u>37,751,672</u>
		<u>29,503,812</u>	<u>54,988,903</u>
<b>Total liabilities</b>		<u><b>221,646,154</b></u>	<u><b>206,825,191</b></u>
<b>Total equity and liabilities</b>		<u><b>538,854,127</b></u>	<u><b>522,370,120</b></u>

The accompanying notes form an integral part of this condensed consolidated financial statements.

  
**Abdul Fatah M.R. Marafie**  
Chairman

  
**Adwan M. Al-Adwani**  
Vice Chairman

**Consolidated Statement of Income for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar)

	Notes	2019	2018
<b>Income</b>			
Rental income of investment properties and hotel's revenue	20	30,224,982	30,923,402
Operating expenses	20	(9,988,778)	(10,344,987)
Sale of land and properties held for trading		254,839	1,390,884
Cost to sell land and properties held for trading		(206,369)	(662,491)
Net income from operating activities		<u>20,284,674</u>	<u>21,306,808</u>
Change in fair value for investment properties		1,863,235	(2,184,877)
(Impairment)/ reversal of impairment of land and real estate held for trading		(11,627)	22,025
Share of profit from investment in associate companies		2,604,094	2,573,344
Gain from investments	21	4,440,167	4,246,820
Other income		56,377	164,882
<b>Total income</b>		<u>29,236,920</u>	<u>26,129,002</u>
<b>Expenses and other charges</b>			
Staff costs		(2,484,723)	(2,326,784)
Expenses and other charges		(975,967)	(858,774)
Finance costs		(8,472,221)	(8,283,793)
(Provisions and impairment)/reversal	22	(93,933)	1,963,758
Finance claims	19	(531,991)	-
<b>Total expenses</b>		<u>(12,558,835)</u>	<u>(9,505,593)</u>
<b>Net profit before deductions</b>		16,678,085	16,623,409
Kuwait Foundation for the Advancement of Sciences (KFAS)		(94,316)	(97,771)
National Labour Support Tax (NLST)		(274,951)	(405,470)
Zakat Expense		(61,110)	(115,977)
Board of directors' remuneration		-	(108,000)
<b>Net profit for the year</b>		<u>16,247,708</u>	<u>15,896,191</u>
<b>Distributed as follows:</b>			
Shareholders of the Parent Company		14,583,884	14,503,751
Non-controlling interests		1,663,824	1,392,440
		<u>16,247,708</u>	<u>15,896,191</u>
<b>Earnings per share for Parent Company's shareholders (fils)</b>	23	<u>8.30</u>	<u>8.25</u>

The accompanying notes form an integral part of this condensed consolidated financial statements.

**Consolidated Statement of Comprehensive Income for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar)

	<b>2019</b>	<b>2018</b>
<b>Net profit for the year</b>	<b><u>16,247,708</u></b>	<b><u>15,896,191</u></b>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Change in fair value reserve of FVOCI investment	<u>(514,633)</u>	<u>(562,519)</u>
<i>Items that may be reclassified subsequently to statement of income:</i>		
Group's share in associates' reserves	66,885	(628,762)
Foreign currency translation differences	<u>61,564</u>	<u>(37,549)</u>
	<u>128,449</u>	<u>(666,311)</u>
<b>Total other comprehensive losses</b>	<u>(386,184)</u>	<u>(1,228,830)</u>
<b>Total comprehensive income for the year</b>	<b><u>15,861,524</u></b>	<b><u>14,667,361</u></b>
<b>Distributed as follows:</b>		
Shareholders of the Parent Company	14,187,149	13,249,730
Non-controlling interests	<u>1,674,375</u>	<u>1,417,631</u>
	<u>15,861,524</u>	<u>14,667,361</u>

The accompanying notes form an integral part of this condensed consolidated financial statements.

**Consolidated Statement of Changes in Equity for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar)

	Equity Attributable to Shareholders of the Parent Company							Non- controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 17)	Retained earnings		
<b>Balance as at 1 January 2018</b>	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	7,753,369	42,224,332	290,272,823	314,409,611
Impact of initial application of IFRS 9	-	-	-	-	-	(1,125,077)	1,125,077	-	-
Impact of initial application of IFRS 9 - associate	-	-	-	-	-	-	(542,833)	(542,833)	(546,191)
<b>Balance as at 1 January 2018 (restated)</b>	178,708,714	1,308,384	(2,208,386)	35,418,545	27,067,865	6,628,292	42,806,576	289,729,990	313,863,420
Acquisition of additional share in subsidiary	-	-	-	-	-	-	626,080	626,080	(2,297,726)
Cash dividends (Note 25)	-	-	-	-	-	-	(8,821,044)	(8,821,044)	(8,821,044)
Purchase of treasury shares	-	-	(1,391,040)	-	-	-	-	(1,391,040)	(1,391,040)
Transfer to retained earnings on disposal of FVOCI investment	-	-	-	-	-	-	86,508	86,508	86,508
Net profit for the year	-	-	-	-	-	-	14,503,751	14,503,751	15,896,191
Total other comprehensive losses for the year	-	-	-	-	-	(1,254,021)	-	(1,254,021)	(1,228,830)
Subsidiary dividend paid	-	-	-	-	-	-	-	-	25,191
Transferred to reserves	-	-	-	1,523,097	761,549	-	(2,284,646)	-	(562,550)
<b>Balance as at 31 December 2018</b>	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	46,917,225	293,480,224	315,544,929
<b>Balance as at 1 January 2019</b>	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	46,917,225	293,480,224	315,544,929
Impact of prior years adjustment of associate	-	-	-	-	-	-	206,754	206,754	206,754
Impact of initial application of IFRS 16 - associate	-	-	-	-	-	-	(21,689)	(21,689)	(27,959)
Impact of initial application of IFRS 16	-	-	-	-	-	-	(2,308,709)	(2,308,709)	(2,818,939)
<b>Balance as at 1 January 2019</b>	178,708,714	1,308,384	(3,599,426)	36,941,642	27,829,414	5,374,271	44,793,581	291,356,580	312,904,785
Net profit for the year	-	-	-	-	-	(396,735)	14,583,884	14,583,884	16,247,708
Total other comprehensive losses for the year	-	-	-	-	-	-	-	(396,735)	(386,184)
Sale of investment at FVOCI- associate	-	-	-	-	-	-	90,878	90,878	90,878
Sale of investment at FVOCI	-	-	-	-	-	(59,286)	155,170	95,884	107,789
Cash dividend (Note 25)	-	-	-	-	-	-	(8,699,846)	(8,699,846)	(8,699,846)
Dividend in kind from treasury shares (Note 25)	-	-	2,939,667	-	-	282,476	(3,222,143)	-	-
Cash dividend of subsidiary	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(2,536,803)	-	-	-	-	(2,536,803)	(520,354)
Transferred to reserve	-	-	-	1,501,426	750,713	-	(2,252,139)	-	-
<b>Balance as at 31 December 2019</b>	178,708,714	1,308,384	(3,196,562)	38,443,068	28,580,127	5,200,726	45,449,385	294,493,842	317,207,973

The accompanying notes form an integral part of this condensed consolidated financial statements.

**Consolidated Statement of Cash Flows for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar)

	Notes	2019	2018
<b>Operating activities</b>			
Net profit for the year		16,247,708	15,896,191
<i>Adjustments for:</i>			
Change in fair value of investment properties		(1,863,235)	2,184,877
Impairment/ (reverse) impairment of lands and properties held for trading		11,627	(22,025)
Gain from sale of land and properties held for trading		(48,470)	(728,393)
Share of profit from investments in associates		(2,604,094)	(2,573,344)
Net gain on investments	21	(4,440,167)	(4,246,820)
Depreciation of property, plant and equipment	5	1,875,401	1,817,090
Finance cost		8,472,221	8,283,793
Provision and impairment		93,933	(1,963,758)
Employees' end of service indemnity provided during the year		217,834	332,628
<i>Operating cash flow before changes in the working capital</i>		<u>17,962,758</u>	<u>18,980,239</u>
Payment for purchase of investment property		(3,758,963)	(482,312)
Purchase of land and real estate held for sale		(1,899,380)	(4,629,809)
Proceeds from sale of land and real estate held for trading		254,839	1,390,884
Receivables		(1,056,109)	(4,158,541)
Payables		121,295	(1,566,274)
Employees' end of service indemnity – paid during the year		(214,590)	(407,256)
Net cash generated from operating activities		<u>11,409,850</u>	<u>9,126,931</u>
<b>Investing activities:</b>			
Payment for purchase of property, plant and equipment	5	(1,027,436)	(335,410)
Payment to acquire additional share in subsidiaries	24	-	(2,297,726)
Payment to acquire shares in associates		(126,689)	(1,109,575)
Dividends received from associates		1,809,141	2,826,673
Payment to acquire investment at FVOCI		(4,913,420)	(6,042,099)
Proceeds on sale of investment at FVOCI		1,143,883	873,786
Proceeds on sale of investments at fair value through profit or loss		11,666	8,906,069
Payment to acquire investments at fair value through profit or loss		(603,679)	-
Cash dividend received		2,863,117	2,393,908
Deposits with financial institutions		(200,000)	-
Net cash (used in)/ generated from investing activities		<u>(1,043,417)</u>	<u>5,215,626</u>
<b>Financing activities:</b>			
Proceeds from financing from third party		46,533,190	61,837,901
Repayment of financing from third party		(32,931,194)	(58,115,300)
Payment for buy-back of treasury shares		(2,536,803)	(1,391,040)
Cash dividend paid		(10,331,514)	(8,365,499)
Finance cost paid		(8,377,373)	(8,961,116)
Non-controlling interests		(520,354)	(562,550)
Net cash used in from financing activities		<u>(8,164,048)</u>	<u>(15,557,604)</u>
<b>Net change in cash and cash equivalents</b>		<u>2,202,385</u>	<u>(1,215,047)</u>
<b>Cash and cash equivalents at beginning of the year</b>		<u>1,622,383</u>	<u>2,837,430</u>
<b>Cash and cash equivalents at end of the year</b>	12	<u>3,824,768</u>	<u>1,622,383</u>

The accompanying notes form an integral part of this condensed consolidated financial statements.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**1. Incorporation and activities**

The Commercial Real Estate Company (K.P.S.C) ("the Parent Company") was incorporated as a Kuwaiti Shareholding Closed Company under Articles of Association No. 104/ M/ Vol.1 on 4 February 1968 under Commercial register No. 11329 and re-enrolled on 21 December 1981 under No. 239 in accordance with provision of the Commercial Companies Law. The main objectives of the Company are performing various real estate, agricultural, industrial and commercial activities, carrying out contracting and building constructions including sale, purchase, lease of real estate properties and investing surplus cash in equity markets through investment portfolios managed by specialized companies and financial institutions; and establishing and managing real estate funds for its own account and for third parties. The Company may also participate in any suitable investments in entities that engage in similar business activities or that may help the Company achieve its objectives inside Kuwait and abroad. The Company may purchase such entities, either as a subsidiary or as an associate, affiliate them as stated in Company's Articles of Association, article No. 5 and Memorandum of Association, article No. 4. The Company's management shall carry out all its objectives for which it has been established in accordance with the Noble Islamic Sharia principles.

The head office of the Parent Company is located at Jaber Al-Mubarak Street, Commercial Real Estate Company's Building, Sharq, P.O. Box. 4119 Safat, 13042 Kuwait.

The Parent Company has been registered in the Borsa Kuwait on 21 December 2004.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries set out in note (24), ("together referred to as the Group").

The consolidated financial statements were authorized for issue by the Board of Directors on 10 March 2020.

**2. Basis of preparation and significant accounting policies**

**2.1 Basis of preparation**

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are re-measured at fair value, as explained in the accounting policies below.

**2.2 Application of new and revised International Financial Reporting Standards (IFRS)**

**2.2.1 New and amended IFRS Standards that are effective for the current year**

The Group has adopted the new and amended standards and interpretations that became effective in the current period. The adoption of these standards and interpretations has no material impact on the financial statements of the Group, except as mentioned below:

**IFRS 16 "Leases"**

**General impact**

IFRS 16 'Leases' replaces the existing guidance on leases, including 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 in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019.

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Group's financial position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16, the right to use the leased assets was generally measured at the amount of lease liability, using the interest rate at the time of first time application.

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**Impact on accounting policy**

Until the 2018 financial year, leases were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to income statement on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group unless the term is 12 months or less or the lease for low value asset. Assets and liabilities arising from a lease are initially measured on a present value basis. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to income statement over the lease period.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

**Practical expedient**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

**Impact on financial position as at 1 January 2019:**

- Investments in associate – decrease by KD 27,959
- Retained earnings – decrease by KD 2,330,398
- Non-controlling interests - decrease by KD 516,500
- Lease liabilities – increase by KD 2,818,939

**2.2.2 New and revised IFRS in issue but not yet effective and not early adopted**

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

**New and revised IFRSs**

Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

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.'

**Effective for annual periods  
beginning on or after**

January 1, 2020

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

### Effective for annual periods beginning on or after

#### **New and revised IFRSs**

##### **Definition of a Business – Amendments to IFRS 3 *Business Combinations***

January 1, 2020

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

Amendments to references to the Conceptual Framework in IFRS Standards.

January 1, 2020

Amendments to references to the Conceptual Framework in IFRS Standards related to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments

January 1, 2020

Amendments regarding pre-replacement issues in the context of the IBOR reform

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely. Adoption is still permitted.

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

### **2.3 Significant accounting policies**

#### **2.3.1 Basis of consolidation**

##### **Subsidiaries**

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date in which the Parent Company gains control until the date when Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, or the cost on initial recognition of an investment in an associate or a joint venture.

Where applicable, adjustments are made to bring the accounting policies of the subsidiary in line with those of the Group. The difference in reporting date of the subsidiary and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

**Business combinations**

Acquisitions of business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests that have previously been recognised in the consolidated statement of other comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest were fully disposed off.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**Goodwill**

Goodwill, arising on an acquisition of a subsidiary, is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**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 results of business, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except for any investment classified as investment held for sale, as it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and any other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate, (including any long-term interests represent a part of the Group's net investment in an associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Upon acquisition of an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate, recognised at the date of acquisition, is recognised as goodwill. Goodwill is included within the carrying amount of the investment in an associate. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in the consolidated statement of income.

Requirements of IFRS 9 are applied to determine whether it is necessary to recognize the impairment losses of the associates. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the requirements of IAS No. (36) "Impairment of Assets."

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associates are recognised in Group financial statement only to the extent of interests in the associate, that are not related to the Group.

**2.3.2 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any subsequent accumulated impairment losses. Cost includes the purchase price and any directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefit expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, these expenditures are capitalised

## **Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

Property, plant and equipment depreciation is calculated using the straight line method on the basis of estimated useful lives except for land which is carried at cost less impairment losses. Property, plant and equipment amount is written down to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period. Change in estimations are accounted for as of the beginning of the financial year in which the change arises. Gains or losses on disposals of property, plant, and equipment are determined by the difference between the sales proceeds and the net carrying amount of the asset and is recognized in the consolidated income statement.

### **2.3.3 Investment properties**

Investment properties are properties held to earn rentals and/or capital appreciation (including properties under construction for such purposes). Investment properties are measured initially at cost, including transaction costs

Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss arising on disposal of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income for the period in which they arise.

### **2.3.4 Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Group reviews the tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal or value in use. Impairment losses are recognised in the consolidated statement of income for the year in which they arise. When an impairment is reversed, the impairment is recognised to the extent of the net carrying amount had no impairment been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

### **2.3.5 Financial instruments**

#### **Classification and measurement of financial assets**

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

#### **Business model assessment**

The Group determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective and in order to generate contractual cash flows. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar unless otherwise stated)

### Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through profit or loss (FVTPL)
- Financial assets carried at fair value through other comprehensive income (FVOCI)

### Financial assets carried at Amortised cost

A financial asset is carried at amortised cost if it meets both of the following conditions:

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

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the statement of profit or loss and other comprehensive income. Cash and cash equivalents and receivables are classified at amortized cost.

### Financial asset carried at fair value through profit or loss

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

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the Consolidated statement of income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the statement of profit or loss and other comprehensive income when the right to the payment has been established.

### Financial assets carried at fair value through other comprehensive income

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

Gains and losses on these equity instruments are never recycled to Consolidated statement of income. Dividends are recognised in consolidated statement of income when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the statement of changes in equity.

### Reclassification of financial assets

The Group only reclassifies its financial assets subsequent to their initial recognition upon change in business model.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**Impairment of financial assets**

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

Group recognizes ECL for cash and bank balances using the general approach and uses the simplified approach for receivables as required by IFRS 9.

*General approach*

Under general approach, assets migrate through the three stages based on the change in credit quality since initial recognition. The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is objective evidence of impairment.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

*Simplified approach*

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar credit risk characteristics. 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. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

*Event of default*

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**Recognition and de-recognition**

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership of the financial asset, or when it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and when it no longer retains control over the asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

## **Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

### **Fair values**

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, i.e. an exit price. The fair value measurement assumes 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.

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

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

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

The fair value of financial instruments is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for financial assets carried at amortised cost.

#### **2.3.6 Land and Properties held for trading**

Land and real estate held for trading are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate, where the cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate held for trading are classified under current assets and are valued at the lower of cost or net realisable value on an individual basis. Net realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains or losses from the sale of land and property held for trading are reported in the consolidated statement of income by the difference between sale value and its book value.

#### **2.3.7 Employees' end of service indemnity**

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. Regarding the Non-Kuwaitis labour in other countries; the indemnity is calculated based on law applicable in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of employees on the consolidated financial statement's date. The management expects that this method would result in a reliable approximation of the present value of the Group's liability.

#### **2.3.8 Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2019

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### 2.3.9 Equity, reserves and dividend payments

Issued ordinary shares are recorded within equity. Direct costs relating to issuing of shares are reduced from the amounts received for issuing these shares within equity under share premium. Share capital represent the nominal value of the shares issued.

Dividends are recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the shareholders.

### 2.3.10 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares acquired is reported as a contra account within equity when the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realised losses are charged to the same account in the limit of its credit balance. Any additional losses are charged to retained earnings, then to reserves and premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

### 2.3.11 Foreign currencies

#### Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment where the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD).

#### Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses resulted from the settlement of such transactions and from the translation at year-end are recorded in the Consolidated statement of income.

Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction

#### Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that consolidated financial statements.
- Income and expenses for each income statement are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of equity.

### 2.3.12 Revenue recognition

Rental income from investment property and hotel income are recorded point in time, when the service is rendered.

Gains and losses resulting from the sale of financial investments, investment property and land and real estate held for trading are recognised in consolidated statement of income when sale is completed.

Dividends income resulting from investment is recognized in the consolidated statement of income when the right to receive them is established.

### 2.3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**2.3.14 Leasing**

***Policy applicable from 1 January 2019***

*The Group as a lessee*

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

***Subsequent Measurement***

According to usage nature of the leased asset, the Company classifies the asset within a group of related assets. If the asset meets the definition of real estate investment "IAS 40", the Group measures the asset based on the accounting policy adopted in measuring real estate investments owned by the Group (Note 2.3.3). However, if the asset meets the definition of property, plant and equipment, the Group measures the asset as per the accounting policy adopted in measuring the property, plant and equipment (Note 2.3.2.).

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

***Sale and leaseback***

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

***Where the Group is the lessor***

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

***Policy applicable before 1 January 2019***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessor***

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

***The Group as lessee***

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognized in consolidated statement of income as expenses on a straight-line basis over the lease term.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**2.3.15 Taxation**

**Kuwait Foundation for the Advancement of Sciences (KFAS)**

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

**National Labour Support Tax (NLST)**

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group for the year. As per Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

**Zakat**

The Group calculates zakat in accordance with the Ministry of Finance resolution No. 46 of 2006. They are recognized as expense in the relevant period on accrual basis.

**3. Financial risk management**

**3.1 Financial risks**

The Group's activities expose it to a variety of financial risks, which are market risks (which include foreign currency risks and risks of fair value resulting from interest rates, and risks of fluctuations in cash flows resulting from changes in interest rates, and market prices risks) in addition to credit risk and liquidity risks.

The Group's Risk Management focuses on the unpredictable issues in the financial markets in order to reduce the potential negative impact on the financial performance of the Group to the minimum. The Group currently does not use hedging instruments to manage its exposure to these risks. Group does not have any interest bearing assets or liabilities carried at fair value and therefore are not exposed to fair value risk.

**A) Market risk**

*Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates.

The Group is exposed to this risk as a result of holding financial assets and liabilities in foreign currencies, primarily in US Dollar, Sterling Pound and Bahraini Dinar. The Group's management constantly monitors the change in exchange rates of foreign currencies that might negatively affect the Group's results.

The following is the net positions of foreign currencies denominated in KD as at the consolidated financial statements date:

	<b>2019</b>	<b>2018</b>
US Dollar	30,503,485	27,662,229
Sterling Pound	12,396,052	9,973,953
Bahraini Dinar	37,868,995	34,078,530
Other	20,929,363	19,770,409

The following is the effect of change of foreign exchange rates by 5% against Kuwaiti Dinar, with all other variables are held constant on the Group's equity/consolidated statement of income:

	<b>2019</b>		<b>2018</b>	
	<b>Equity</b>	<b>Statement of income</b>	<b>Equity</b>	<b>Statement of income</b>
US Dollar	705,486	819,688	592,587	790,525
Sterling Pound	490,745	129,058	387,190	111,507
Bahrain Dinar	8,325	1,885,125	18,285	1,685,641
Other	642,778	403,690	665,836	322,684

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

*Profit rate risks*

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

The Group is not exposed to interest rate risk as the Group works under Noble Principles of Islamic Sharia and the profit rates are fixed during the contractual maturity period.

*Fair value risks*

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Financial instruments, which potentially subject the market risk, consist of investment at fair value through statement of income and investments at FVOCI. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value. The Group maintains its quoted investments with specialized investment companies. Monthly reports on investments performance are sent to the Group management for follow up and decisions making. Effect of the fair value changes in the market prices is considered to be limited relatively to the Group's activity.

**B) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist of bank balances. The Group manages this risk by placing money with high credit rating financial institutions.

The Group always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The following table contains an analysis of the maximum credit risk exposure of financial instruments:

	<b>2019</b>	<b>2018</b>
Bank balances	4,018,583	1,598,695
Receivables	7,357,665	6,991,296
Due from related parties	172,643	130,141
Refundable deposits	332,756	349,530
Other debit balance	178,361	149,668
	<u>12,060,008</u>	<u>9,219,330</u>

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

The ECL charge on due from related parties, refundable deposits and other receivables as on 1 January 2019 and for the year ended 31 December 2019 are not material.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

**31 December 2019**

	<b>0-90 Days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>&gt; 365 days</b>	<b>Total</b>
<i>Gross carrying amount</i>	1,197,366	784,003	1,085,342	4,290,954	7,357,665
<i>Lifetime ECL</i>	55,946	48,260	82,411	4,290,953	4,477,570

**01 January 2019**

	<b>0-90 Days</b>	<b>91-180 days</b>	<b>181-365 days</b>	<b>&gt; 365 days</b>	<b>Total</b>
<i>Gross carrying amount</i>	2,133,751	333,084	344,496	4,179,965	6,991,296
<i>Lifetime ECL</i>	87,500	110,503	254,117	4,179,965	4,632,085

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**C) Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, and long-term liquidity management requirements. The Group manages liquidity risk through maintaining adequate assets, which are easily convertible into cash and also by securing banking facilities in addition to ongoing monitoring of the expected and actual cash flows and maturity profile of financial assets and liabilities.

The table below analyses the non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>2019</b>				<b>Total</b>
	<b>Within 3 months</b>	<b>From 3 months to one year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	
Borrowings	3,382,125	26,818,010	184,564,539	17,430,626	232,195,300
Accounts payable	1,901,985	12,455,449	-	-	14,357,434
	<b>2018</b>				<b>Total</b>
	<b>Within 3 months</b>	<b>From 3 months to one year</b>	<b>1-5 years</b>	<b>More than 5 years</b>	
Borrowings	6,049,906	41,453,315	148,419,791	24,455,736	220,378,748
Accounts payable	3,038,739	11,150,934	-	-	14,189,673

**3.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, enabling it to provide returns for shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital structure consists of finance obtained from third party less cash and cash equivalents in addition to equity.

The Group manages the capital risk by continuously monitoring the gearing ratio.

The gearing ratio at year end was as follows:

	<b>2019</b>	<b>2018</b>
Financing from third party	202,240,054	188,638,058
Less: cash and cash equivalents	(4,024,768)	(1,622,383)
Net debt	198,215,286	187,015,675
Total equity	317,207,973	315,544,929
Gearing ratio (%)	62.49	59.27

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**3.3 Fair value estimation**

The fair values of financial assets and liabilities are estimated as follows:

- Level 1 Quoted prices in active markets for quoted financial instruments.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**Fair value of financial assets and liabilities of the Group measured at fair value on a recurring basis:**

	Fair value as at		Fair value level	Valuation methods and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
	2019	2018				
<b>Financial assets</b>						
<b>Investments at fair value through other comprehensive income</b>						
Quoted shares	94,215	111,309	1	Last bid price Income approach/ market multiple	N/A	N/A Higher estimated cash flows and lower discount rates, results in higher fair value
Private equity	38,158,088	33,713,166	3	Income approach/ market multiple	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Investment funds	425,895	428,360	3	market multiple	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value
<b>Investments at fair value through profit or loss:</b>						
Quoted shares	577,723	595,500	1	Last bid price Income approach/ market multiple	N/A	N/A Higher estimated cash flows and lower discount rates, results in higher fair value
Private equity	22,329,021	20,155,039	3	market multiple	Cash flow, discount rate, growth rate	Higher estimated cash flows and lower discount rates, results in higher fair value

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**Fair value of financial assets and liabilities of the Group not measured at fair value on a recurring basis:**

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
- Due from related parties	172,643	172,643	130,141	130,141
- Receivables	5,221,356	5,221,356	3,078,766	3,078,766
- Cash and cash equivalents	4,024,768	4,024,768	1,622,383	1,622,383
	<u>9,418,767</u>	<u>9,418,767</u>	<u>4,831,290</u>	<u>4,831,290</u>
<b>Financial liabilities:</b>				
- Financing from third party	202,240,054	199,868,089	188,638,058	187,320,489
- Payables	15,910,199	15,910,199	17,237,231	17,237,231
	<u>218,150,253</u>	<u>215,778,288</u>	<u>205,875,289</u>	<u>204,557,720</u>

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. There are no transfers between fair value levels during the year.

**4. Significant accounting judgements, estimates and assumptions**

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Judgements:**

*Determining the lease term of contracts with renewal and termination options - Group as lessee*

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

*Discounting of lease payments*

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). At initial adoption of IFRS 16 "Leases", the Management has applied judgments and estimates to determine the incremental borrowing rate.

*Classification of investments*

On acquisition of an investment, the Group decides whether it should be classified as "at fair value through statement of income" or "at FVOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

*Classification of real estate investments*

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

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

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

## **Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

### *Practicing significant influence*

The Group's investments in Afkar Holding Company have been classified as associates although the Group only owns 19.35% of their shares. The Group has significant influence over these entities through its representation in their Board of Directors' by two members out of seven.

### **Sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### *Fair value measurements and valuation techniques*

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. In case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in note (3.3, 6 and 9).

### *Impairment of tangible and intangible assets*

The Group reviews the tangible and intangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

### *Evidence of impairment of investments*

The Group estimates impairment for all investments carried at amortized cost or fair value through consolidated statement of income except for equity instruments. Impairment is considered appropriate when there is objective evidence on the deterioration of the financial position for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. Note 23 sets out the impact of that on the consolidated financial statements.

### *Impairment of associates*

Impairment testing of the associate is carried out when there is an indication of such impairment. Impairment is assessed for the entire carrying value of the Group's investment in the associate including goodwill. Note 23 sets out the impact of that on the consolidated financial statements.

### *Impairment of financial assets*

The Group estimates expected credit loss for all financial assets carried at amortized cost or fair value through consolidated statement of profit or loss except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. 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. Refer note 2.3.5 impairment of financial assets for more information.

### *Contingent liabilities*

Contingent liabilities arise as a result of a past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not fully within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (Note 28).

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

**5. Property, plant and equipment**

	<b>Land &amp; buildings</b>	<b>Furniture &amp; fittings</b>	<b>Furniture &amp; utensils</b>	<b>Office equipment &amp; tools &amp; vehicle</b>	<b>Total</b>
<b>Cost</b>					
Balance at 1 January 2018	26,388,143	11,142,249	3,586,357	1,507,762	42,624,511
Additions	3,900	28,074	57,410	246,026	335,410
Balance at 31 December 2018	26,392,043	11,170,323	3,643,767	1,753,788	42,959,921
Additions	1,108	896,276	37,331	268,203	1,202,918
Balance at 31 December 2019	26,393,151	12,066,599	3,681,098	2,021,991	44,162,839
<b>Accumulated depreciation</b>					
Balance at 1 January 2018	4,015,668	7,724,402	3,586,066	935,457	16,261,593
Depreciation for the year	566,460	1,080,468	8,838	161,324	1,817,090
Balance at 31 December 2018	4,582,128	8,804,870	3,594,904	1,096,781	18,078,683
Depreciation for the year	569,080	1,099,883	12,800	193,638	1,875,401
Balance at 31 December 2019	5,151,208	9,904,753	3,607,704	1,290,419	19,954,084
<b>Net carrying value</b>					
As at 31 December 2019	21,241,943	2,161,846	73,394	731,572	24,208,755
As at 31 December 2018	21,809,915	2,365,453	48,863	657,007	24,881,238
Useful lives (years)	40	5-10	5	3-6	

**6. Investment properties**

These represent commercial, residential properties and lands most of which are located in the State of Kuwait. The movement in investment properties during the year was as follows:

	<b>2019</b>	<b>2018</b>
Balance at 1 January	370,400,645	367,511,385
Additions during the year	3,758,963	482,312
Transferred from Land and properties held for trading	1,175,865	4,591,825
Transferred to property, plant and equipment	(175,482)	-
Change in fair value	1,863,235	(2,184,877)
Balance at 31 December	377,023,226	370,400,645

The fair value of the Group's investment properties as at 31 December 2019 are estimated based on valuations carried out by independent valuers not related to the Group. The independent valuers are licensed from the relevant regulatory bodies and have appropriate qualifications and experience in valuation of properties at the relevant locations.

The fair value of investment properties was determined using the net income capitalisation rate method, using market rental income of all units of the properties and is classified as Level 3. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties. The valuation model used involves significant unobservable inputs including the average capitalisation rate. Average capitalisation rate used in valuation taking into account the capitalisation of rental income, nature of the property and prevailing market conditions is 7.5% (7.5% - 31 December 2018).

An increase in the capitalisation rate used would result in a decrease in the fair value, and vice versa.

In estimating the fair value of the investment properties, their current use was assumed to be highest and best use of these properties.

Investment properties include properties of KD 271,853,260 as at 31 December 2019 (KD 282,472,540 - 31 December 2018) pledged to local financial institutions as collateral for finance obtained by the Group (Note 18).

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

**7. Investments in associates**

**7.1 Financial information**

Company	Country of incorporation	Principal activity	Ownership %		2019	2018
			2019	2018		
Hajar Tower Real Estate Co.	Kuwait	Real Estate	27.42	27.42	8,974,061	9,308,917
Kuwait Resorts Co.	Kuwait	Services	36.02	34.93	9,742,202	8,938,199
Bayan Real Estate Co.	Saudi Arabia	Real Estate	22.71	22.71	4,664,495	4,556,970
Afkar Holding Co.	Kuwait	Holding	19.35	19.35	2,829,925	3,000,000
Kuwait Commercial Markets Complex Co.	Kuwait	Real Estate	23.13	22.84	2,773,715	2,754,369
Gulf Opportunities Co.	Kuwait	Real Estate	43.00	43.00	701,042	904,459
Al Jahra Tourism Co.	Kuwait	Tourism	44.87	44.87	10,849,429	11,363,863
Vacation Club Venture	Emirates	Real Estate	30.00	30.00	4,246,773	4,226,709
Waves Budaiya Development Co.	Bahrain	Real Estate	36.00	36.00	1,552,567	1,556,502
Other					704,899	698,194
					<u>47,039,108</u>	<u>47,308,182</u>

All investments above are accounted for using equity method in these consolidated financial statements.

Kuwait Resorts Company is quoted in an active market and has a fair value of KD 4,024,399 as at 31 December 2019 (KD 3,563,393 - 31 December 2018).

Summarised financial information in respect of each of the Group's material associates are stated below.

The summarised financial information below represents the amounts shown in the associate latest available financial statements prepared in accordance with International Financial Reporting Standards:

**Kuwait Resorts Co.**

	2019	2018
Current assets	20,129,755	19,584,673
Non-current assets	13,087,070	15,038,961
Current liabilities	4,825,663	5,761,335
Non-current liabilities	879,089	2,856,066

	2019	2018
Revenue	7,252,622	7,918,580
profit for the year	1,220,733	1,269,061
Total other comprehensive income/ (loss)	776,520	(211,008)
Dividends received from associate during the year	-	304,073

**Hajar Tower Real Estate Company**

	2019	2018
Current assets	24,921,522	20,893,956
Non-current assets	33,576,957	35,977,148
Current liabilities	12,779,526	9,195,349
Non-current liabilities	12,732,046	13,467,860

	2019	2018
Revenue	17,260,041	14,995,436
Profit for the year	3,795,016	1,620,043
Dividends received from associate during the year	1,375,600	1,100,480

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**Al Jahra Tourism Co.**

	<b>2019</b>	<b>2018</b>
Current assets	6,954,705	6,819,389
Non-current assets	19,709,348	21,297,503
Current liabilities	1,002,445	1,651,227
Non-current liabilities	1,483,340	1,140,935

	<b>2019</b>	<b>2018</b>
Revenue	6,748,013	7,495,042
Profit for the year	3,206,577	3,122,322
Dividends received from associate during the year	1,659,141	1,422,120

**Aggregate information of associates that are not individually material**

	<b>2019</b>	<b>2018</b>
The Group's share of income from continuing operations	(218,331)	183,184
The Group's share of other comprehensive income/(loss) for the year	51,761	(804,463)
The Group's share of total comprehensive income/(loss) for the year	(166,570)	(621,279)
Aggregate carrying amount of the Group's interest in these associates	17,473,416	17,697,204

**8. Investment at FVOCI**

	<b>2019</b>	<b>2018</b>
Investment in quoted shares	94,215	111,309
Investment in private equities managed by others	38,158,088	33,713,166
Investment funds	425,895	428,360
	<u>38,678,198</u>	<u>34,252,835</u>

**9. Land and properties held for trading**

	<b>2019</b>	<b>2018</b>
Balance as at 1 January	13,180,088	13,782,570
Additions	1,899,380	4,629,809
Transfer to Investment properties	(1,175,865)	(4,591,825)
Sales during the year	(206,369)	(662,491)
(Impairment)/ reversal of impairment	(11,627)	22,025
Balance as at 31 December	<u>13,685,607</u>	<u>13,180,088</u>

The fair values were determined based on the market comparable approach for the areas in which the properties are located, taking into account the properties nature, location and stage of development.

**10. Investments at fair value through profit or loss**

This represent investment in private equities managed by others. The fair values of such investment were estimated based on the investment's managers reports as set out in note 3.3.

**11. Receivables and other debit balances**

	<b>2019</b>	<b>2018</b>
Trade receivables	7,357,665	6,991,296
Due from related parties (Note 26)	172,643	130,141
Provision for expected credit losses	(4,477,570)	(4,632,085)
	3,052,738	2,489,352
Advance payments for acquisition of investments	83,149	1,160,287
Advance payment for purchase of land	4,873,614	4,757,989
Advances to contractors and suppliers	754,488	740,597
Prepaid expenses	182,471	106,429
Refundable deposits	332,756	349,530
Other debit balances	2,008,505	370,026
	<u>11,287,721</u>	<u>9,974,210</u>

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

*(All amounts are in Kuwaiti Dinar unless otherwise stated)*

Trade receivables include an amount of KD 6,153,536 that is past due and impaired as at 31 December 2019 for which the Group has recognized a provision of KD 4,477,570 (KD 6,175,938 with a provision of KD 4,632,085 - 31 December 2018).

Aging of past due but not collected trade and other receivables as at 31 December 2019 is as follows:

	<b>2019</b>	<b>2018</b>
30 – 60 days	663,446	656,685
60 – 90 days	170,638	158,081
90 – 120 days	121,017	173,284
Above 120 days	5,198,435	5,187,888
	<u>6,153,536</u>	<u>6,175,938</u>

Movement of provision for expected credit losses for the year:

	<b>2019</b>	<b>2018</b>
Balance as at 1 January	4,632,085	4,514,459
Provided during the year	293,751	386,709
Reversal of provision for Expected credit losses	(225,365)	-
Write off	(222,901)	(269,083)
Balance as at 31 December	<u>4,477,570</u>	<u>4,632,085</u>

**12. Cash and cash equivalents**

	<b>2019</b>	<b>2018</b>
Cash in hand	6,185	23,688
Cash at banks and financial institutions	3,268,583	1,598,695
Deposits with financial institution	750,000	-
	4,024,768	1,622,383
Less: deposits with financial institution more than 3 months	(200,000)	-
Cash and cash equivalent for cash flow	<u>3,824,768</u>	<u>1,622,383</u>

The profit rate for the deposit is 2.9%

**13. Share capital**

The authorized, issued, and paid up share capital of the Parent Company is KD 178,708,714 (KD 178,708,714 - 31 December 2018) distributed over 1,787,087,137 shares (1,787,087,137 shares - 31 December 2018) with a nominal value of 100 fils each, fully paid up in cash.

**14. Treasury shares**

	<b>2019</b>	<b>2018</b>
Number of shares	35,125,820	42,326,225
Proportion to issued shares (%)	1.96	2.37
Market value	3,319,390	3,894,013
Cost	3,196,562	3,599,426

The Parent Company is required to retain reserves and retained earnings equivalent to cost of treasury shares during this period they are held by the Parent Company, pursuant to the relevant instructions of the regulatory authorities.

Treasury shares of 14,887,324 shares are held by a subsidiary as of 31 December 2019 (14,595,416 shares - 31 December 2018).

**15. Statutory reserve**

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit for the year, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration, and Zakat is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfers when this reserve equals 50% of the paid up share capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**16. Voluntary reserve**

In accordance with the Companies Law and the Parent Company's Articles of Association, a percentage of the net profit for the year, as proposed by the board and agreed by shareholders during the annual general assembly, before contribution to Kuwait Foundation for Advancement of Sciences, National Labour Support Tax, directors' remuneration and Zakat is transferred to the voluntary reserve. Such transfers can be discontinued by a resolution adopted by the general assembly as recommended by the Board of Directors. The Parent Company's Board of Directors has proposed to transfer 5% of the net profit for the year to the voluntary reserve.

**17. Other reserves**

	Change in fair value reserve	Group's share in associates' reserves	Property, plant and equipment revaluation surplus	Translation of foreign currencies	Treasury shares reserve	Total
Balance as at 1 January 2018	1,039,636	864,284	5,547,886	301,563	-	7,753,369
Impact of initial application of IFRS 9	(1,125,077)	-	-	-	-	(1,125,077)
<b>As at 1 January 2018 (restated)</b>	(85,441)	864,284	5,547,886	301,563	-	6,628,292
Total comprehensive losses	(587,710)	(628,762)	-	(37,549)	-	(1,254,021)
Balance as at 31 December 2018	(673,151)	235,522	5,547,886	264,014	-	5,374,271
Balance as at 1 January 2019	(673,151)	235,522	5,547,886	264,014	-	5,374,271
Total comprehensive (losses)/ income	(524,895)	66,596	-	61,564	-	(396,735)
Sale of investment at FVOCI	(59,286)	-	-	-	-	(59,286)
Dividend in kind from treasury shares	-	-	-	-	282,476	282,476
Balance as at 31 December 2019	(1,257,332)	302,118	5,547,886	325,578	282,476	5,200,726

**18. Financing from third parties**

Financing from third parties represent murabaha and tawaruq contracts from banking institutions inside and outside of Kuwait

Financing from third parties are analysed as follows:

	2019	2018
Current portion	13,593,613	37,751,672
Non-current portion	188,646,441	150,886,386
	<u>202,240,054</u>	<u>188,638,058</u>

Average cost of financing from third parties is 4.19% as at 31 December 2019 (4.39% - 31 December 2018).

The maturity analysis is set out in note (3.1).

The Group obtained finance against pledge of 245,697,583 shares as of 31 December 2019 (245,697,583 shares - 31 December 2018) of Al Salmia Group (subsidiary) in addition to the following assets:

	2019	2018
Property, plant and equipment	22,879,762	24,376,572
Investment properties (Note 6)	271,853,260	282,472,540

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**19. Payables and other credit balances**

	<b>2019</b>	<b>2018</b>
Trade payables	1,839,956	1,637,954
Due to related party (Note 26)	32,167	189,717
Retentions	1,056,868	776,988
Accrued expenses	3,132,105	3,387,402
Rent received in advance	575,262	1,134,885
Deposits from others	3,716,211	3,561,444
Kuwait Foundation for the Advancement of Science (KFAS)	94,316	97,771
National Labor Support Tax	274,951	405,470
Zakat	61,110	117,539
Dividends payable to shareholders	260,817	1,892,485
Finance claim *	-	1,575,699
Other payables **	4,821,436	2,459,877
	<u>15,910,199</u>	<u>17,237,231</u>

\* During the year ended 31 December 2019, the Group received final approval from the General Authority for Zakat and Income in the Kingdom of Saudi Arabia to settle the dispute relating to Zakat claims. The final settlement claim amounted to KD 2,107,690. Accordingly, the Group has provided the financial claims with the amount of KD 531,991 and the Group has settled the settlement amount in the subsequent period.

\*\* Other credit balances include lease liabilities of KD 188,797 due within 12 months.

**20. Net income from operating activities**

	<b>2019</b>	<b>2018</b>
Real estate rental income	25,248,463	25,386,078
Hotel and hospitality revenues	4,976,519	5,537,324
Total revenues	30,224,982	30,923,402
Property expenses	(4,705,819)	(4,881,291)
Hotel and hospitality expenses	(5,282,959)	(5,463,696)
	<u>20,236,304</u>	<u>20,578,415</u>

Hotel expenses include an amount of KD 1,730,808 that represents the current year depreciation of the hotel building and related equipments (KD 1,688,915 - 31 December 2018).

**21. Gain from investments**

	<b>2019</b>	<b>2018</b>
<b>Investment at FVOCI</b>		
Cash dividends	2,546,719	2,022,345
	<u>2,546,719</u>	<u>2,022,345</u>
<b>Investments at fair value through profit or loss</b>		
Gain from change in fair value	1,454,909	1,206,371
Cash dividends	426,873	478,219
Gain from sale	11,666	539,885
	<u>1,893,448</u>	<u>2,224,475</u>
	<u>4,440,167</u>	<u>4,246,820</u>

**22. Provision and impairment**

	<b>2019</b>	<b>2018</b>
(Impairment)/ reversal of impairment related to investment in associates	(25,547)	2,350,467
Net movement in provision for credit losses	(68,386)	(386,709)
	<u>(93,933)</u>	<u>1,963,758</u>

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**23. Earnings per share attributable to the Parent Company's shareholders**

Earnings per share is calculated by dividing the net profit attributable to shareholders of the Parent Company for the year by the weighted average number of shares outstanding during the year, taking into account the treasury shares weighted average as follows:

	<b>2019</b>	<b>2018</b>
Net profit (KD)	14,583,884	14,503,751
Weighted average number of outstanding shares (share)	1,756,285,927	1,757,398,458
Basic earnings per share (fils)	8.30	8.25

**24. Investments in subsidiaries**

The consolidated financial statements include the financial statements of the Parent Company and its affiliated entities as follows:

Company name	Activity	Country of incorporation	Shareholding percent (%)	
			2019	2018
Al Mutajara Real Estate Company K.S.C.C.	Real Estate	State of Kuwait	77.57	77.57
Commeriale Real Estate Development Co.	Real Estate	Kingdom of Bahrain	100	100
Commeriale Real Estate Development Co.	Real Estate	Morocco	100	100
Al-Salmiya Group for Project Development Company	Real Estate	State of Kuwait	81.90	81.90

Summary of the financial statements of the Group's subsidiaries including significant non-controlling interests is as follows:

**Salmiya Group for Project Development Company**

	<b>2019</b>	<b>2018</b>
Current assets	1,441,584	844,695
Non-current assets	69,860,000	71,651,000
Current liabilities	1,247,445	3,606,588
Non-current liabilities	16,080,538	14,846,284
Equity attributable to shareholders of the Parent Company	44,203,715	44,260,632
Non-controlling interests	9,769,886	9,782,191
	<b>2019</b>	<b>2018</b>
Revenue	5,110,070	3,770,658
Expenses	(2,360,147)	(2,716,023)
Profit for the year	2,749,923	1,054,635
Profit for the year attributable to shareholders of the Parent Company	2,251,998	858,941
Profit for the year attributable to non-controlling interests	497,925	195,694
Total comprehensive income attributable to shareholders of the Parent Company	2,251,998	858,940
Total comprehensive profit attributable to non-controlling interests	497,925	195,694
Total comprehensive income for the year	2,749,923	1,054,634
	<b>2019</b>	<b>2018</b>
Net cash flow generated operating activities	3,772,828	1,520,697
Net cash flow used in investing activities	(326,156)	(194,766)
Net cash flow used in financing activities	(2,874,795)	(1,232,821)
Net change in cash and cash equivalents of the subsidiary	571,877	93,110

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**Al Mutajara Real Estate Company**

	<b>2019</b>	<b>2018</b>
Current assets	9,720,419	7,033,370
Non-current assets	66,085,882	66,537,000
Current liabilities	1,941,228	1,969,141
Non-current liability	15,108,600	15,899,200
Equity attributable to shareholders of the Parent Company	45,812,228	43,419,515
Non-controlling interests	12,944,245	12,282,514
	<b>2019</b>	<b>2018</b>
Revenue	6,172,778	5,916,467
Expenses	(862,690)	(916,136)
Profit for the year	5,310,088	5,000,331
Profit for the year attributable to shareholders of the Parent Company	4,144,189	3,803,585
Profit for the year attributable to non-controlling interests	1,165,899	1,196,746
Total comprehensive income attributable to shareholders of the Parent Company	5,357,134	5,112,659
Total comprehensive income attributable to non-controlling interests	1,176,450	1,221,937
Total comprehensive income for the year	4,180,684	3,890,722
Dividends paid to non-controlling interests	520,354	562,550
Net cash flow generated/ (used in) from operating activities	1,421,143	6,682,724
Net cash flow generated/ (used in) from investing activities	2,554,170	(2,163,634)
Net cash flow used in financing activities	(3,526,209)	(4,528,882)
Net change in cash and cash equivalents of the subsidiary	449,104	(9,792)

**25. Dividends**

On 7 April 2019, the Annual General Ordinary Assembly was held and approved distribution of cash dividends to the shareholders of record as of the due date at 5% after deduction of treasury shares, and distribution of bonus share of 2% from the paid up share capital distributed from treasury shares (2 treasury share per 100 shares) for the year ended 31 December 2018 (cash dividends of 5 fils each by 5% - 31 December 2017).

For 2019, the Parent Company's Board of Directors proposed cash dividends of 5% and bouns shares of 3% for the year ended 31 December 2019. This proposal is subject to the shareholders' approval at the Annual General Assembly Meeting and the regulatory authorities.

**26. Related parties transactions**

Related parties comprise of the Group's shareholders who are members in the board of directors, key management personnel, associates and the companies, in which the Company has representatives in their board. Significant related party transactions and resulting balances were as follows:

	<b>2019</b>	<b>2018</b>
<b>Transactions</b>		
Key management remuneration	1,024,600	835,408
Purchase of an additional shares in subsidiary	-	2,250,000
Purchase of lands and real estate held for trading	484,797	-
Operating income	19,352	-
Operating expenses and other charges	343,286	-
Purchase of property, plant and equipment	234,270	-
<b>Balances</b>		
Receivables and other debit balances (Note 11)	172,643	130,141
Advance paument to contractors and suppliers	154,535	-
Payables and other credit balances (Note 19)	32,167	189,717
Key management remuneration	593,720	503,326

Balances due from/to related parties are interest-free and payable on demand. All related party transactions are subject to approval of the shareholders' General Assembly.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

(All amounts are in Kuwaiti Dinar unless otherwise stated)

**27. Capital commitments**

	<b>2019</b>	<b>2018</b>
Uncalled capital – investments	442,675	436,429
Contracts for projects under development	3,165,307	6,836,699
Other	-	3,296,235
	<u>3,607,982</u>	<u>10,569,363</u>

**28. Contingent liabilities**

	<b>2019</b>	<b>2018</b>
Letter of guarantee	<u>3,459,088</u>	<u>3,760,481</u>

**29. Segment information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, products and services, class of customers where appropriate are aggregated and reported as reportable segments. The Group is organized into three major business segments; real estate, hotel and investment. These segments results are reported to senior executive management. Further, the Group's operating results, assets and liabilities are reported according to geographical areas, in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases adopted in preparation of the consolidated financial statements.

Business segment analysis in line with internal reports submitted to the management is as follows:

	<b>2019</b>			
	<b>Real estate sector</b>	<b>Hotel</b>	<b>Investment sector</b>	<b>Total</b>
Revenue	27,354,910	4,976,519	7,044,261	39,375,690
Direct cost	<u>(6,035,957)</u>	<u>(5,282,959)</u>	<u>(814,516)</u>	<u>(12,133,432)</u>
Gross profit	<u>21,318,953</u>	<u>(306,440)</u>	<u>6,229,745</u>	<u>27,242,258</u>
Unallocated costs				<u>(10,994,550)</u>
Net profit				<u>16,247,708</u>

	<b>2018</b>			
	<b>Real estate sector</b>	<b>Hotel</b>	<b>Investment sector</b>	<b>Total</b>
Revenue	24,614,110	5,537,324	9,170,631	39,322,065
Direct cost	<u>(6,898,162)</u>	<u>(5,463,696)</u>	<u>(211,673)</u>	<u>(12,573,531)</u>
Gross profit	<u>17,715,948</u>	<u>73,628</u>	<u>8,958,958</u>	<u>26,748,534</u>
Unallocated costs				<u>(10,852,343)</u>
Net profit				<u>15,896,191</u>

**Geographic distribution**

	<b>2019</b>			
	<b>State of Kuwait</b>	<b>Gulf Countries</b>	<b>Other</b>	<b>Total</b>
Total income	23,060,925	3,413,601	2,762,394	29,236,920
Total expenses	<u>(10,775,410)</u>	<u>(2,213,802)</u>	-	<u>(12,989,212)</u>
Net profit/(loss)	<u>12,285,515</u>	<u>1,199,799</u>	<u>2,762,394</u>	<u>16,247,708</u>

	<b>2018</b>			
	<b>State of Kuwait</b>	<b>Gulf Countries</b>	<b>Other</b>	<b>Total</b>
Total income	20,426,114	4,304,448	4,024,689	28,755,251
Total expenses	<u>(9,845,321)</u>	<u>(3,013,739)</u>	-	<u>(12,859,060)</u>
Net profit/(loss)	<u>10,580,793</u>	<u>1,290,709</u>	<u>4,024,689</u>	<u>15,896,191</u>

**Geographic distribution of assets and liabilities**

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
State of Kuwait	432,220,436	427,735,500	191,231,618	175,756,333
Gulf countries	60,004,459	51,705,543	30,414,536	31,068,858
Other	46,629,232	42,929,077	-	-
	<u>538,854,127</u>	<u>522,370,120</u>	<u>221,646,154</u>	<u>206,825,191</u>