Al-Arabiya Real Estate Company K.S.C.P.

And its Subsidiaries

State of Kuwait

Consolidated Financial Statements and Independent Auditors' report

For the year ended 31 December 2019

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For the year ended 31 December 2019

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Independent Auditors' Report to the Shareholders

Al-Arabiya Real Estate Company K.S.C.P.
State of Kuwait

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Al-Arabiya Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, statement of changes in equity and 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

- Trade and other receivables, which are carried in the consolidated statement of financial position at KD 13,250,468 (KD 9,301,665 - 2018), includes an amount of KD 7,039,955 (KD 7,039,955 - 2018) which represents the net carrying value of a compensation claim due to the Group. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the compensation claim due to the Group because we were unable to verify management's assertion that this amount was recoverable. Consequently, we were unable to determine whether any adjustments to this amount were necessary. Our opinion in the year ended 31 December 2018 was also modified in respect of this matter.
- The Group's investment in Sharm Dreams for Real Estate Development Company ("the associate"), a foreign associate accounted for by the equity method, is carried at KD 1,109,080 in the consolidated statement of financial position as at 31 December 2019 and the Group's share of the associate's other comprehensive income of KD 93,178 is included in the Group's consolidated statement of other comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Group's investment in the associate as at 31 December 2019 and the Group's share of the associate's income for the year because we were denied access to the financial information, management and auditors of the associate. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
- Investment properties, which are carried in the consolidated statement of financial position at KD 112,871,558 at 31 December 2019, includes an amount of KD 23,034,000 relating to certain investment properties located in the State of Kuwait and a fair value profit of KD 704,000 is included in the Group's total comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these properties and consequently the fair value loss relating to these properties because we were unable to verify the data, method and assumptions used by the valuer in the determination of the fair value of these properties as at 31 December 2019. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

Emphasis of Matter

We draw attention to Note 17 of the consolidated financial statements, which describes uncertainty relating to the outcome of negotiations with a creditor bank. Our opinion is not modified in respect of this matter.

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Independent Auditors' Report to the Shareholders (continued)

Al-Arabiya Real Estate Company K.S.C.P.
State of Kuwait

Report on the Audit of the Financial Statements (continued)

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group generated a profit of KD 1,666,370 during the year ended 31 December 2019 (loss of KD 2,446,207 – 31 December 2018) and, as of that date, the Group's current liabilities exceeded its current assets by KD 17,702,019 (KD 23, 263, 684 – 31 December 2018). As stated in note 2, these events or conditions, along with other matters as set forth in Notes 2, and 17 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 year. In addition to the matter described in Basis for Qualified Opinion section and in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. 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.

Fair value of investment properties

The Group's investment properties are carried at KD 112,871,558 in the statement of financial position as at 31 December 2019 (KD 118,728,760 - 2018) and the net fair value loss recorded in the consolidated income statement amounted to KD 1,233,109. The Group measures its investment properties at fair value.

The determination of fair value of these investment properties is based on valuations performed by external valuers using either market comparable approach or income approach.

The Group's discounted future cash flows analysis and the assessment of the expected remaining holding period and income projections on the existing operating assets requires management to apply significant judgements and make significant estimates related to future rental rates, capitalisation rates and discount rates.

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 and consequently we have determined this to be a key audit matter

Refer to note (7) in the consolidated financial statements for further details relating to this matter.

We performed the following audit procedures in order to address the Key Audit Matter

- We evaluated the design and implementation of controls related to the valuation of investment properties.
- We assessed the external valuer's skills, competence, objectivity 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 provided to the valuer by the Group, on a sample basis.
- We involved our internal real estate valuation specialist to review selected properties valued by the external valuers and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement.
- 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 performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.
- We reperformed the arithmetical accuracy of the determination of recoverable amounts.
- We assessed the disclosures made in the financial statements relating to this matter against the requirements of IFRSs.

Independent Auditors' Report to the Shareholders (continued)

Al-Arabiya Real Estate Company K.S.C.P.
State of Kuwait

Key Audit Matters (continued)

Other information included in the Group's 2019 Annual Report

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

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the compensation claim amount, the carrying amount of investment in associate and the fair value basis of local investment property as at 31 December 2019. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 based on these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 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.

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Independent Auditors' Report to the Shareholders (continued)

Al-Arabiya Real Estate Company K.S.C.P.
State of Kuwait

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

- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts 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, except for the matters described in the Basis for Qualified Opinion section of our report, and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended; and by the 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, as amended, and its executive regulations, as amended; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position, except that the Parent Company has directly invested in shares of certain companies, whose objectives are different from the Parent Company's (Note 9).

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Kuwait, 2 April 2020

Consolidated Statement of Financial Position as at 31 December 2019

(All amounts are in Kuwaiti Dinar)

	Note	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	6	16,637,926	17,839,685
Investment properties	7	112,871,558	118,728,760
Investment in an associate	8	1,109,080	1,015,902
Investments at fair value through other comprehensive income	9	11,119,287	10,868,529
		141,737,851	148,452,876
Current assets			
Trade and other receivables	10	13,250,468	9,301,665
Cash and cash equivalents	11	744,707	3,377,451
		13,995,175	12,679,116
Total assets		155,733,026	161,131,992
Equity and Liabilities			
Equity			
Share capital	12	50,984,499	50,984,499
Share premium	26	327,188	5,614,733
Treasury shares	13	(714,784)	(714,784)
Statutory reserve	14	4,744,392	4,569,660
Voluntary reserve	15	174,732	4,569,660
Other reserves	16	1,453,121	1,105,162
Retained earnings / (Accumulated losses)		997,717	(9,857,205)
Total equity		57,966,865	56,271,725
Liabilities			
Non-current liabilities			
Post-employment benefits		516,371	476,687
Loans and bank facilities	17	65,552,596	68,440,780
		66,068,967	68,917,467
Current liabilities			
Trade and other payables	18	11,364,013	10,061,626
Loans and bank facilities	17	20,333,181	25,881,174
		31,697,194	35,942,800
Total liabilities		97,766,161	104,860,267
Total equity and liabilities		155,733,026	161,131,992

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

Dr. Emad Jawad Bukhamseen
Chairman

Dr. Anwar Ali Al Naqi
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2019

(All amounts are in Kuwaiti Dinar)

	Note	2019	2018
Revenues			
Rental income		5,304,979	5,073,169
Income from a hotel		5,896,673	6,504,291
Group's share in an results from associate	8	-	71,726
Dividends income		314,188	283,310
Other income	19	7,201,112	658,347
Foreign exchange (loss)/ gain		(26,452)	132,785
		18,690,500	12,723,628
Expenses			
Unrealized loss from valuation of investment properties	7	1,233,109	203,371
Investment properties expenses		1,012,146	941,147
Loss on sale of investment properties		480,000	-
Expenses of an hotel		4,717,663	4,800,755
Staff costs	20	478,271	454,180
Depreciation and amortization	6	876,327	1,675,856
Impairment of property, plant and equipment	6	746,969	-
Other expenses	21	2,893,592	1,765,094
Finance costs		4,505,104	5,329,432
		16,943,181	15,169,835
Net profit / (loss) for the year before contribution to KFAS, NLST and zakat		1,747,319	(2,446,207)
KFAS		(15,726)	-
NLST		(46,659)	-
Zakat		(18,564)	-
Net profit / (loss) for the year		1,666,370	(2,446,207)
Basic and diluted earnings / (loss) per share (Fils)	22	3.30	(4.84)

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

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

(All amounts are in Kuwaiti Dinar)

	Note	2019	2018
Net profit / (loss) for the year		1,666,370	(2,446,207)
Other comprehensive income items			
Items that may be reclassified subsequently to the statement of income:			
Foreign currency translation adjustment	16	93,661	16,959
		93,661	16,959
Items that will not be reclassified subsequently to statement of income:			
Change in fair value of investment securities at FVOCI	16	254,298	1,130,662
		254,298	1,130,662
Total other comprehensive income items		347,959	1,147,621
Total comprehensive income/ (loss) for the year		2,014,329	(1,298,586)

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

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

(All amounts are in Kuwaiti Dinar)

	Share capital	Share premium	Treasury shares	Statutory reserve	Voluntary reserve	Other reserves (Note 16)	Retained earnings / (Accumulated losses)	Total
Balance as at 1 January 2018	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,346,439	(8,538,280)	57,831,927
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	(227,318)	(34,298)	(261,616)
Restated balance as at 1 January 2018	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,119,121	(8,572,578)	57,570,311
Loss for the year	-	-	-	-	-	-	(2,446,207)	(2,446,207)
Other comprehensive income	-	-	-	-	-	1,147,621	-	1,147,621
Total comprehensive income/ (loss) for the year	-	-	-	-	-	1,147,621	(2,446,207)	(1,298,586)
Net realised gain transferred to accumulated losses on disposal of investment securities at FVOCI	-	-	-	-	-	(1,161,580)	1,161,580	-
Balance as at 31 December 2018	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,105,162	(9,857,205)	56,271,725
Balance as at 1 January 2019	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,105,162	(9,857,205)	56,271,725
Transition adjustment on adoption of IFRS 16 at 1 January 2019 (Note 3.2.1)	-	-	-	-	-	-	(319,189)	(319,189)
Restated Balance as at 1 January 2019	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,105,162	(10,176,394)	55,952,536
Net profit for the year	-	-	-	-	-	-	1,666,370	1,666,370
Other comprehensive income items	-	-	-	-	-	347,959	-	347,959
Total comprehensive income for the period	-	-	-	-	-	347,959	1,666,370	2,014,329
Extinguishment of accumulated losses (Note 26)	-	(5,287,545)	-	-	(4,569,660)	-	9,857,205	-
Transferred to reserves	-	-	-	174,732	174,732	-	(349,464)	-
Balance as at 31 December 2019	50,984,499	327,188	(714,784)	4,744,392	174,732	1,453,121	997,717	57,966,865

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

	Note	2019	2018
Cash flow from operating activities			
Net profit / (loss) for the year		1,666,370	(2,446,207)
Adjustments for:			
Depreciation and amortization	6	876,327	1,675,856
Impairment of property, plant and equipment	6	746,969	-
Expected credit loss on trade receivables	10	632,490	5,195
Loss on disposal of investment properties		480,000	-
Gain on discharging loan liability	19	(6,620,207)	-
Unrealized loss from valuation of investment properties	7	1,233,109	203,371
Share of results of an associate	8	-	(71,726)
Provision for employees' end of service benefits		103,177	125,632
Dividends income		(314,188)	(283,310)
Finance costs		4,505,104	5,329,432
Operating profit before changes in working capital		3,309,151	4,538,243
Trade and other receivables		(421,293)	17,713
Trade and other payables		771,031	(1,823,790)
Cash flows generated from operations		3,658,889	2,732,166
Employees' end of service benefits paid		(63,493)	(79,280)
Net cash generated from operating activities		3,595,396	2,652,886
Cash flows from investing activities			
Additions to property, plant and equipment		(191,612)	(603,450)
Additions to properties under development		-	(285,101)
Additions to investments properties	7	(60,737)	-
Additions of investments at fair value through other comprehensive income		-	(288,764)
Proceeds from sale of investment securities		-	1,169,793
Proceeds from sale of property, plant and equipment		-	5,830
Proceeds from sale of investment properties		10,000	2,350,000
Dividends received		314,188	283,310
Net cash generated from investing activities		71,839	2,631,618
Cash flows from financing activities			
Proceeds from loans and bank facilities		-	7,934,757
Loans and bank facilities repaid		(2,180,875)	(12,041,684)
Finance costs paid		(4,103,193)	(4,478,108)
Payment of lease liability		(46,505)	-
Cash received from Parent Company		-	6,000,000
Net cash used in financing activities		(6,330,573)	(2,585,035)
Net change in cash and cash equivalents		(2,663,338)	2,699,469
Foreign currency translation adjustments		30,594	(135,911)
Cash and cash equivalents at the beginning of the year		3,377,451	813,893
Cash and cash equivalents at the end of the year	11	744,707	3,377,451

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

1. Incorporation and activities

Al-Arabiya Real Estate Company K.S.C.P. the "Parent Company" was established in the State of Kuwait on 21 September 1976 and is listed in Boursa Kuwait for securities.

The head office of the Parent Company is located at Sharq, Ahmed Al-Jaber St., Emad Commercial Center, State of Kuwait. The main objectives of the Parent Company are:

- Carrying out various real estate commercial activities including procurement, sale of investments in lands and properties, managing properties for others, undertaking contracting activities and trading in all materials related to construction or required for it.
- Setting up commercial markets, tourism, sport and entertainment facilities.
- Constructing, acquiring and managing hotels and its tourism activities.
- Managing real estate portfolios for the Parent Company only and investment in the shares and projects of other companies whose activities are similar to the Parent Company's activities, establish and manage real estate investment funds only, and use the available financial surplus of the Parent Company for investment in financial and real estate portfolios managed by specialized companies.

The Parent Company is a subsidiary of Bukhamseen Group Holding Company K.S.C. (Holding) (the "Ultimate Parent Company").

This consolidated financial statements includes the financial statements of the Parent Company and its wholly owned subsidiary and Hotel (together referred to as "the Group") as follows:

	Incorporation country	Activity	Legal entity	Ownership (%) 31 December 2019	Ownership (%) 31 December 2018
Holiday Inn Hotel	Kuwait	Services	Hotel	100	100
Rotana Al Sharjah Hotel (Note 17)	UAE	Services	Hotel	-	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	100	100

The consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 2 April 2020. The general assembly of the shareholders of the Parent Company has the authority to amend the consolidated financial statements.

2. Going concern basis of accounting

The Group has a profit of KD 1,666,370 for the year ended 31 December 2019 (Loss of KD 2,446,207 - 31 December 2018) and, as at that date, current liabilities exceed current assets by KD 17,702,019 (KD 23,263,684 - 31 December 2018).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that loan repayments will be met out of operating cash flows or sale of properties at their market values. Further, the main shareholders of the Ultimate Parent Company continue to provide and arrange financial support (as necessary) to enable the Group to meet its financial obligations as they fall due.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to restructure its debt with the banks and meet the mandatory repayment terms of the banking facilities as disclosed in Note 17 to the consolidated financial statements. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realize its assets and discharge its liabilities in the normal course of business at the amounts stated in the consolidated financial statements but the Group is confident of the successful outcome of negotiations and settlements with the banks.

Notwithstanding with the above facts, the consolidated financial statements have been prepared on a going concern basis as the Parent Company's Board of Directors, representing the major shareholders, are confident to meet the Group's liabilities as and when they become due. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

3. Basis of preparation and significant accounting policies

3.1 Basis of preparation

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

These consolidated financial statements are prepared under the historical cost basis of measurement, except for investments property and certain financial instruments that are measured at fair value, as explained in the accounting policies below. The accounting policies of the Group have been consistently applied to all years presented, except as stated in Note 3.2 in relation to adoption of new and revised International Financial Reporting Standards.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

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

3.2.1 New and revised IFRSs 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 recognised 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 December 31, 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.

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.

Impact to the Group

The Group has applied the International Financial Reporting Standard "IFRS" 16 Leases using cumulative Catch-up approach that requires:-

- It requires the Group to recognize the cumulative effect of the applied IFRS 16 as an adjustment to the opening balance of accumulated retained earnings on the date of the initial application for some contracts, as well as to recognize the right to use equal to the lease liability for other some contracts.
- The group did not make a restatement of comparative figures, which continue to be presented under IAS 17.
- The right of use leased assets in general was measured by the value of the discounted lease liability by using the -interest rate at the time of initial application- as if the new accounting policy was followed from the beginning of the lease contract which resulted in recognition of the cumulative effect as an adjustment to the opening balance of retained earnings for some contracts as well as recognition of the right of use is equal to the lease liability for some other contracts as on the initial date of application January 1, 2019.

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.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets "Property, Plant and Equipment – increase by KD 229,927.
- Lease liabilities "Trade and other payables" – increase by KD 549,116.
- Accumulated losses – Increase by KD 319,189

3.2.2 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	**Effective for annual periods beginning on or after**
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'.	January 1, 2020

New and revised IFRSs	**Effective for annual periods beginning on or after**
Definition of a Business – Amendments to IFRS 3 *Business Combinations* 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.	January 1, 2020
Amendments to references to the Conceptual Framework in IFRS Standards. 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.	January 1, 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	January 1, 2020
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.

3.3 Significant Accounting Policies

3.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the 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 affects it returns.

The Group reassess 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 company obtains control over the subsidiary and ceases when the Company losses 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 the Company gains control until the date in which 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 interests. 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.

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

All intra-group transactions, balances, revenues 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 the Company's shareholders.

When the Group loses control of a subsidiary, a gain or loss resulted from derecognition is recognised in the statement of income and is calculated as the difference between

The aggregate of the fair value of the consideration received and the fair value of any retained interest,

The carrying amount of the assets before disposal (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, when applicable, 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 businesses combination 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 the statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except for 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 any interest acquired previously over the net of the asset acquired of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If the net 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 any interest acquired previously, the excess is recognised immediately in the consolidated statement of income as gain.

Non-controlling interests may be measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value of such share. 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 re-measured 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 income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the statement of income where such treatment would be appropriate if that interest were disposed off.

Goodwill

Goodwill, arising on an acquisition of subsidiaries, 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 the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

3.3.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful lives of the assets.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of income.

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognised in the consolidated statement of income.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

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

3.3.3 Properties under development

Capital cost incurred during construction stage of as property, plant and equipment, investment property, or trading properties are accounted as properties under development until construction or production of these assets is complete, at which time it is reclassified as property, plant and equipment, investment property, or trading properties. The cost includes all direct costs and other costs attributable on a reasonable basis.

Properties under development which are intended to be used as investment properties, considered as investment properties and are recognised at cost and then re-measured at fair value through accredited independent valuers where the lower valuation is adopted. In case there is no reliable method for measuring the fair value of such land under development, the properties are recognised at cost till the date of completion of developing the property or the date of reliably determining their fair value, whichever occurs first.

3.3.4 Investments property

Investment properties comprise properties under development and developed properties that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include professional fees for legal services, commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property would result in either gains or losses on the retirement or disposal of the investment property. Any gains or losses are recognised in the consolidated statement of income in the period of derecognition.

3.3.5 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

3.3.6 Investments 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The resulted assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5"non- current assets held for sale and non-continuing operations. Under the equity method, an investment in an associate or a joint venture 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 other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred constructive obligations or made payments on behalf of the associates or joint venture.

On acquisition of an associate or a joint venture, any excess of the cost of the acquisition over the Group's share of the net fair value of the identifiable assets and liabilities and contingent liabilities of the associate and joint venture as at the acquisition date is recognised as goodwill, which is included within the carrying amount of the investment in the associates and joint ventures. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities and contingent liabilities over the cost of the acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

The requirements of IFRS 9 are applied to determine whether it is necessary to recognise any impairment loss in the associates or joint ventures. The entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with the requirements of IAS 36 "Impairment of Assets".

When a Group entity transacts with an associate or a joint ventures of the Group, profits and losses resulting from the transactions with the associate or joint venture are disposed from the share of the Group in an associate or a joint venture.

3.3.7 Financial instruments

Recognition and derecognition

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchase and sale of financial assets are recognised using trade date accounting. Changes in fair value between the trade date and settlement date are recognised in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

All recognised financial assets are subsequently measured in their entirety either at amortised cost or fair value, depending on the classification of the financial assets. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

A financial liability is derecognised when the Group's obligation specified in the contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Classification and measurement of financial assets and financial liabilities

The Group determines classification and measurement category of financial assets, except equity instruments and derivatives, based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment & Solely Payments of Principal and Interest test ("SPPI test")

Business model assessment

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- 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;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment. 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.

The SPPI test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows met 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 (for example, if there are repayments of principal or amortisation of the premium/discount).

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

Financial assets

The Group classifies financial assets upon initial recognition of IFRS 9 into following categories:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and Loss (FVTPL)

Amortised cost (AC)

The Group classifies financial assets at AC if it meets both of the following conditions and is not designated as at FVTPL:

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

Financial assets classified at AC are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains/losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the consolidated statement of income.

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI

The Group classifies debt instruments at FVOCI if it meets both of the following conditions:-

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to consolidated statement of income.

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as at FVOCI if 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.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition, cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Fair Value Through Profit and Loss (FVTPL)

Financial assets whose business model is to acquire and sell, or whose contractual terms do not give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as FVTPL.

In addition to the above, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets classified as FVTPL are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in the consolidated statement of income. Interest income and dividends are recognised in the consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Financial liabilities

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from a Group's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. Accordingly, the Group applies the new impairment model for its financial assets. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Incorporating forward-looking information increases the degree of judgement required as to how changes in these macro-economic factors will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group recognises ECL for financial assets using the general approach except in case of trade receivables where the Group is using simplified approach.

General approach

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1: 12 months ECL

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

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. Objective evidence that debt instrument is impaired includes whether any payment of principal or profit is overdue by more than 90 days or there are any known difficulties in the cash flows including the sustainability of the counterparty's business plan, credit rating downgrades, breach of original terms of the contract, its ability to improve performance once a financial difficulty has arisen, deterioration in the value of collateral etc. The Group assesses whether objective evidence of impairment exists on an individual basis for each individually significant asset and collectively for others not deemed individually significant.

ECL are 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 amortisation. 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.

The Group applies the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted by IFRS 9. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Loss allowances for ECL are presented as a deduction from the gross carrying amount of the financial assets for AC.

Credit-impaired financial assets at amortised cost

A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off of financial assets at amortised cost

The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of income.

3.3.8 Post-employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees upon termination of employment. 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 all employees on the consolidated financial statements date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

3.3.9 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 economic 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 discount rate that reflects market's assessments and the time value of money and the risks specific to the obligation.

3.3.10 Treasury shares

Treasury shares represent the Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled till the date of the consolidated financial statements. 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 reissued; gains resulted are recognised within a separate un-distributable account in equity "treasury shares reserve". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to 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.

3.3.11 Foreign currencies

Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which 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 date of the consolidated financial statements, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign exchange gains or losses are resulted from the settlement of such transactions and from the translation at year-end in the statement of income.

Group's entities

The results and financial position of all of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

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

3.3.12 Revenues recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

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

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

3.3.13 Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007.

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

3.3.14 Accounting for Leases

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 recognised 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

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in note (3.3.5).

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.
- 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.

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 Group applies IFRS 15 to allocate consideration under the contract to each component.

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 recognised in consolidated statement of income as expenses on a straight-line basis over the lease term.

3.3.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets which are assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalized as part of 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 recognised as expenses in the period in which they are incurred.

3.3.16 Contingencies

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

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

3.3.17 Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

4. Financial risk management

4.1 Financial risk

The Group's operations expose it to certain financial risks, market risks (which include foreign currency risks and risks of fair value resulting from change in interest rates, and risks of fluctuations in cash flows resulting from change in interest rates, and market prices risks) credit risk and liquidity risks.

The Group manages these financial risks, by the continuous evaluation of market conditions and its trends and the management's assessments of the changes for long-term and short-term market factors.

Market risk

Market risk is the risk of loss resulting from fluctuations in the fair value or the future cash flows of financial instrument due to changes in the market prices.

The Group's senior management monitors and manages its market risks by regular oversight of the market's circumstances and the change in foreign exchange and interest rates, and market prices.

Foreign currency risk

Foreign exchange risk is the risk that the fluctuations in the fair value or the future cash flows of a financial instrument as a result of changes in the Group's foreign exchange rates or the value of monetary assets and liabilities denominated in foreign currencies.

The Group is exposed to foreign currency risks resulted mainly from the Group's dealings with financial instruments denominated in foreign currency. Foreign currency risks are resulting from the future transactions on financial instruments in foreign currency as reflected in the financial statements.

The major transactions of the Group are in Kuwaiti Dinars. Financial assets in foreign currency are represented in financial assets carried as investments at fair value through other comprehensive income, certain receivables and bank current accounts. Financial liabilities in foreign currencies are represented and certain payables in foreign currencies and loan balance.

The Group follows up the foreign currency risks through:

- Follow-up the changes in foreign currency exchange rates on regular basis
- Minimize dealing with financial instruments denominated in foreign currency and due to the main Group's activity.

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

	2019	2018
AED	9,533,116	15,795,418
EGP	1,109,080	1,015,902
US Dollars	1,909,485	2,546,121

The following table demonstrates the sensitivity to a reasonably possible change in the AED, EGP and USD exchange rate against Kuwaiti Dinar, with all other variables held constant, on the Group's loss and other comprehensive loss.

	2019			2018		
Currency	Change in currency rate %	Effect on income	Effect on equity	Change in currency rate %	Effect on loss	Effect on equity
AED	5%	476,656	-	5%	789,771	-
EGP	5%	-	55,454	5%	-	50,795
USD	5%	-	95,474	5%	-	127,306

Price risk

Equity price risk arises from changes in the fair values of equity financial assets. Equity price risk is managed by the management of the Group. The quoted equity price risk exposure arises from the Group's financial assets carried at fair value through other comprehensive income.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets carried at fair value through statement of comprehensive income) on due to a reasonably possible change in market indices, with all other variables held constant is as follow:

	31 December 2019		31 December 2018	
Market indices	Change in equity price %	Effect on other comprehensive loss	Change in equity price %	Effect on other comprehensive loss
Kuwait	±5	397,809	±5	360,304
Others	±5	95,474	±5	127,306

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its term loan.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant:

	Increase in basis points	Effect on results for the year before taxes
2019	+100	(858,858)
2018	+100	(943,220)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Receivables, cash and cash equivalents are considered the most of the assets exposed to credit risk. The Group monitors and manages this risk by:

- Dealing with high credit worthiness and reputable customers.
- Dealing with highly credit rated banks.

The following table details the risk profile of trade and other receivables based on the Group's provision risk matrix. As the Group's historical credit loss experience does not show significantly different loss patterns from different customers segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

	31 December 2019			31 December 2018		
Aging brackets of trade and other receivables	**Estimated total gross carrying amount at default**	**Expected credit loss rate %**	**Lifetime ECL**	**Estimated total gross carrying amount at default**	**Expected credit loss rate %**	**Lifetime ECL**
Up to 30 days	5,127,552	2%	98,868	399,030	0%	609
31 to 90 days	249,114	14%	34,721	270,297	0%	412
Above 90 days	12,214,650	36%	4,381,599	12,490,949	31%	3,892,889
	17,591,316		4,515,188	13,160,276		3,893,910

ECL allowance of the receivables other than cash & bank balances are collectively assessed.

Maximum exposure to credit risk

The Group's exposure to credit risk from bank balances, cash with a portfolio manager, fixed deposits and accounts receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position:

	2019	**2018**
Cash and cash equivalents (excluding cash on hand)	730,690	3,357,399
Trade and other receivable	16,186,416	11,903,753
	16,917,106	15,261,152

Liquidity risks

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The table below summarizes the maturity profile of the Group's undiscounted financial liabilities as at 31 December based on contractual undiscounted repayment obligations:

	Within One Year	**From One to two years**	**From Two to five years**	**More than five years**	**Total**
2019					
Loans and bank facilities	20,333,181	3,804,316	66,862,278	-	90,999,775
Accounts payables and accruals	11,364,013	-	-	-	11,364,013
Total	31,697,194	3,804,316	66,862,278		102,363,788
2018					
Loans and bank facilities	25,881,174	5,440,000	12,810,000	76,378,115	120,509,289
Accounts payables and accruals	10,061,626	-	-	-	10,061,626
Total	35,942,800	5,440,000	12,810,000	76,378,115	130,570,915

The Group is currently preparing detailed studies to set the plans required to provide the liquidity needed to fulfil its financial liabilities.

4.2 Capital risk management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

Capital comprises share capital, share premium, treasury shares, statutory reserve, voluntary reserve, other reserve and retained earnings and is measured at KD 57,966,865 as at 31 December 2019 (KD 56,271,725 - 2018).

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt The Group includes within net debt, loans and bank facilities, trade and other payable, less cash and cash equivalents. Total equity includes share capital, share premium, treasury shares, statutory reserve, voluntary reserve, other reserves and accumulated losses.

The gearing ratio as at 31 December was as follows:

	2019	2018
Loans and banks facilities (Note 17)	85,885,777	94,321,954
Trade and other payables (Note 18)	11,364,013	10,061,626
Less : cash and cash equivalents (Note 11)	(744,707)	(3,377,451)
Net debt	96,505,083	101,006,129
Total equity	57,966,865	56,271,725
Total equity and net debt	154,471,948	157,277,854
Gearing ratio (%)	62%	64%

4.3 Fair value

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

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

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

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

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

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

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 - unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

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

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

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

The table below gives information about how the fair values of the significant financial assets and liabilities are determined:

	Fair value as at			
	31 December 2019	**31 December 2018**	**Fair value hierarchy**	**Valuation technique(s) and Key input(s)**
Investments securities at FVTOCI				
Quoted securities	9,865,674	9,931,195	Level 1	Last bid price
Unquoted securities	1,253,613	937,334	Level 3	Market multiple model

The fair value of other financial assets and financial liabilities approximately equal its book value as at the financial information date.

5. Critical accounting estimates, assumptions and key sources of estimation uncertainty

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.

Discounting of lease payments

The lease payments are discounted using the Group'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.

Useful lives of property, plant and equipment

The management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortisation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortisation charge would be adjusted where the management believes the useful lives differ from previous estimates.

The effect of adjusting the useful life of the hotel building has been disclosed in Note 6.

Fair value measurement and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for preparing the consolidated financial statements. The Group's management determines the appropriate key methods and inputs required for the fair value's measurement. Upon determining the fair value of assets and liabilities, the management uses an observable market data. In case no market observable data is available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about the evaluation methods and necessary inputs, which are used to determine the fair value of assets and liabilities, has been disclosed in Note 7 and Note 4.3.

Expected credit loss (ECL) measurement

The Group always recognises lifetime ECL for trade receivables which generally do not have a significant financing component. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as investment securities at FVOCI. The amount of expected credit losses is updated at each reporting date.

Judgements

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

Properties classification

Management takes the decision on the acquisition of property whether it should be classified as held for trading, property under development or investment property. Such provisions on acquisition will determine later whether these properties will be measured subsequently at the lower of cost less impairment, at cost or realizable value, or at fair value, and whether changes in the fair value of these properties will be recorded in the consolidated statements of income or other comprehensive income. The Group classifies the properties as follows:

- Property held for trading: if it is acquired principally for sale in the ordinary business activity.
- Property under development: if it is acquired with the intention of development.
- Investment property: if it is acquired for rental income, for capital appreciation, or for undetermined future use.

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has designated all investments in equity instruments as at FVTOCI as these investments are strategic investments and are not held for trading.

Contingent liabilities/liabilities

Contingent liabilities arise as a result of 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 Group. 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.

6. Property, plant and equipment

	Hotel lands	Hotel buildings	Furniture & fixture	Vehicles	Right-of-use assets	Total
Cost						
As at 1 January 2018	2,639,460	28,991,187	1,527,817	167,465	-	33,325,929
Additions	-	-	517,800	85,650	-	603,450
Disposals	-	-	-	(151,870)	-	(151,870)
Foreign exchange differences	-	-	(801)	-	-	(801)
As at 31 December 2018	2,639,460	28,991,187	2,044,816	101,245	-	33,776,708
Additions	-	-	191,612	-	229,927	421,539
Foreign exchange differences	-	-	(66)	-	-	(66)
As at 31 December 2019	2,639,460	28,991,187	2,236,362	101,245	229,927	34,198,181
Accumulated depreciation and impairment in value						
As at 1 January 2018	-	13,833,022	429,578	145,491	-	14,408,091
Depreciation for the year	-	1,449,560	196,927	29,369	-	1,675,856
Disposals	-	-	-	(146,040)	-	(146,040)
Foreign exchange differences	-	-	(884)	-	-	(884)
As at 31 December 2018	-	15,282,582	625,621	28,820	-	15,937,023
Depreciation for the year	-	605,658	207,764	28,842	34,063	876,327
Impairment in value (Note 17)	661,540	4,312	81,117	-	-	746,969
Foreign exchange differences	-	-	(64)	-	-	(64)
As at 31 December 2019	661,540	15,892,552	914,438	57,662	34,063	17,560,255
Net book value						
As at 31 December 2019	1,977,920	13,098,635	1,321,924	43,583	195,864	16,637,926
As at 31 December 2018	2,639,460	13,708,605	1,419,195	72,425	-	17,839,685
Estimated useful	-	40	3-10	3	20	-

- Hotel lands and hotel building amounting to KD 15,076,555 (KD 16,348,065 - 2018) are pledged against loans and bank facilities (Note 17).

- During the current year, the Group's management has reviewed the useful live of hotel's building, taking into consideration property maintenance and rehabilitation done during the prior years. Accordingly the useful lives have been increased from 20 to 40 years. Change in the useful lives resulted in a decrease in the depreciation charged to the statement of income for the year ended 31 December 2019 with an amount of KD 843,902.

7. Investments properties

	2019	2018
Properties inside Kuwait	73,034,000	76,630,000
Properties outside Kuwait	39,837,558	42,098,760
	112,871,558	118,728,760

Following is the movement in investment properties during the year ended 31 December:

	2019	2018
Balance at 1 January	118,728,760	119,300,079
Additions	60,737	-
Transferred from properties under development	-	1,765,900
Unrealized loss from valuation of investment properties	(1,233,109)	(203,371)
Disposal during the year	(4,650,000)	(2,134,219)
Foreign exchange differences	(34,830)	371
Balance at 31 December	112,871,558	118,728,760

Investment properties amounting to KD 73,034,000 (KD 76,630,000 – 2018) are pledged against loans and bank facilities granted to the Group (Note 17).

As at 31 December 2019, the fair value of investment properties in Kuwait of KD 73,034,000 (KD 76,630,000 – 2018) has been determined based on valuations obtained from two professional real estate valuers, who are specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. For accounting purpose, the Group has selected the lower of these two valuations as required by the Capital Markets Authority (CMA).

The valuers have used income capitalisation approach, which is used for valuating developed properties generating rental income assuming full capacity of the property.

Some of the investment property, has been built on land leased from ministry of finance "State of Property" based on lease contract expires on 31 May 2030.

The fair value of investment property outside Kuwait has been determined based on valuation performed by an independent professional real estate valuation experts who are specialized in valuing such type of properties as required by the Capital Markets Authority (CMA).

The valuators have used the market comparable approach, due to high volume of transaction involving comparable properties in the area during the year. Under the market comparable approach, a property fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle substitution under which a potential buyer will not pay more for the property than it will cost to buy comparable substitute property. The unit of comparison applied by the Group is the price per square meter.

The following is fair value hierarchy disclosures for classes of investment properties is as at 31 December:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
2019	-	39,837,558	73,034,000	112,871,558
2018	-	42,098,760	76,630,000	118,728,760

There were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

The movement in Level 3 fair value hierarchy during the year is given below:

	As at 1 January	Transfer from properties under development	Additions	Disposal	Gain recorded in consolidated statement of income	As at 31 December
Investment properties						
2019	76,630,000	-	60,737	(4,650,000)	993,263	73,034,000
2018	76,833,000	1,765,900	-	(2,350,000)	381,100	76,630,000

8. Investment in an associate

Company Name	Country of Incorporation	Percentage of Ownership (%)	2019	2018
Sharm Dreams for Real Estate Development Company (S.A.E)	Egypt	21.88 %	1,109,080	1,015,902

Following is the movement of the investment in associates during the year ended 31 December:

	2019	2018
Balance as at 1 January	1,015,902	928,582
Group's share of the result of an associate	-	71,726
Foreign currency translation differences	93,178	15,594
Balance as at 31 December	1,109,080	1,015,902

The following table illustrates the summarised information of the associate:

Summarised statement of financial position:

	2019	2018
Assets	-	8,092,763
Liabilities	-	3,449,707
Equity	-	4,643,056
Carrying amount of the investment	-	1,015,902

Summarised statement of income:

	2019	2018
Revenues	-	313,134
Profit for the year	-	203,545
Group's share of profit for the year	-	44,536

9. Investments at fair value through comprehensive income

	2019	2018
Quoted shares	9,865,674	9,931,195
Unquoted shares	1,253,613	937,334
	11,119,287	10,868,529

- Investment securities at FVOCI represents shares in other companies whose activities are not similar to the Parent Company's activities amounting to KD 11,119,287 (KD 10,868,529 – 2018).
- Investment securities at FVOCI amounting to KD 7,820,693 (KD 7,245,450 – 2018) are pledged against loans and bank facilities (Note 17).
- Certain investment securities at FVOCI amounting to KD 59,432 (KD 55,061 – 2018) are registered in the name of nominee on behalf of the Group. The nominees have confirmed in writing that the Group is the beneficial owner of the investments.

10. Trade and other receivables

	2019	2018
Compensation receivable (*)	10,057,080	10,057,080
Provision for impairment	(3,017,125)	(3,017,125)
	7,039,955	7,039,955
Trade Receivables	5,659,744	1,391,414
Advance payment for purchasing of investment properties	626,545	626,545
Net assets of unconsolidated hotel	308,194	308,194
Prepaid expenses	24,199	29,063
Advance payments to contractors	150,141	6,236
Staff receivables	25,030	25,905
Due from related parties (Note 24)	136,368	121,160
Other	778,355	629,978
	14,748,531	10,178,450
Expected credit loss of receivables (other than compensation receivables)	(1,498,063)	(876,785)
	13,250,468	9,301,665

(*) Compensation receivable represents the compensation due to the Group for a land in Ajman Emirate (UAE) whose ownership was expropriated for public benefit in 1996. The total amount due to the Parent Company as per the letter received from the Municipal Council of Ajman Emirate amounted to AED 220 million (approximately KD 16.76 million) (in kind or cash). However, based on a letter from the Group's consultant, the Group has recorded an estimated cost of AED 88 million (approximately KD 6.70 million) for meeting the costs and expenses necessary to finalize the claim and collection procedures. Furthermore, the Group has also estimated an impairment of KD 3.01 million based on management's estimates for the collectable amounts. Accordingly the net accrued compensation is estimated to be KD 7.03 million.

The Group does not hold any collateral as security, for trade and other receivables.

Following is the movement in expected credit losses:

	2019	2018
Balance as at 1 January	3,893,910	3,854,417
Impact of adoption of IFRS 9 retroactively	-	34,298
Charge for the year	632,490	5,195
Used during the year	(11,212)	-
Balance as at 31 December	4,515,188	3,893,910

11. Cash and cash equivalents

	2019	2018
Cash on hand	14,017	20,052
Banks current accounts	460,690	257,399
Time deposits	270,000	3,100,000
	744,707	3,377,451

12. Share capital

At 31 December 2019, the authorised, issued and fully paid share capital in cash of the Parent Company comprised of 509,844,986 shares of 100 fils each (509,844,986 shares of 100 fils each - 2018).

13. Treasury shares

	2019	2018
Number of treasury shares (share)	4,619,962	4,619,962
Percentage to issued shares (%)	0.91	0.91
Market value	135,827	133,055

A part of reserves, comprising distribution of net profits, carried over profits , which equals the cost of treasury shares, shall be frozen and shall be deemed un-distributable during the period of holding such shares.

14. Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before contribution to KFAS, NLST, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

15. Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year contribution to KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. The annual general assembly meeting held on 18 April 2019 has decided to use the voluntary reserve of KD 4,569,660 to extinguish the accumulated losses (Note 26).

16. Other reserves

	Treasury shares reserve	Cumulative change in fair values reserve	Foreign currency translation reserve	Total
Balance as at 1 January 2018	1,098,372	1,560,361	(1,312,294)	1,346,439
Opening Balance adjustment upon implementation of IFRS 9	-	(227,318)	-	(227,318)
Change in fair value of investment securities at FVOCI	-	1,130,662	-	1,130,662
Realized gain from sale of investment securities at FVOCI	-	(1,161,580)	-	(1,161,580)
Foreign currency translation adjustment	-	-	16,959	16,959
Balance as at 31 December 2018	1,098,372	1,302,125	(1,295,335)	1,105,162
Balance at 1 January 2019	1,098,372	1,302,125	(1,295,335)	1,105,162
Change in fair value of investment securities at FVOCI	-	254,298	-	254,298
Foreign currency translation adjustment	-	-	93,661	93,661
Balance at 31 December 2019	1,098,372	1,556,423	(1,201,674)	1,453,121

17. Loans and bank facilities

	2019	2018
Non - current portion		
Term loan from a commercial bank in Kuwait	65,552,596	68,440,780
	65,552,596	68,440,780
Bank overdraft	7,600,356	7,893,072
Term loan from a commercial bank in Kuwait	2,888,185	1,888,160
Loan from an Islamic local entity in Kuwait	311,524	304,524
Term loan from a bank in UAE	9,533,116	15,795,418
	20,333,181	25,881,174
	85,885,777	94,321,954

Bank overdraft is obtained from a commercial bank in Kuwait with interest rate from 2.5% over the Central Bank of Kuwait discount rate.

Loans and bank facilities amounting to KD 311,524 (KD 304,524 as at 31 December 2018) were obtained from a local Islamic entity which is a related party (Note 24).

These loans are granted against pledge of the following assets:

	2019	2018
Property, plant and equipment (Note 6)	15,076,555	16,348,065
Investment properties (Note 7)	73,034,000	76,630,000
Investment securities at FVOCI (Note 9)	7,820,693	7,245,450
	95,931,248	100,223,515

During previous years, loan instalments and related finance costs were past due and unpaid to a regional bank in UAE. The bank filed a legal case against the Parent Company during year ended 31 December 2012. During year ended 31 December 2015, a court judgment was issued, by virtue of which Rotana Al Sharjah Hotel (unconsolidated subsidiary) was placed under receivership and the creditor bank was appointed as the receiver until the current dispute between the Group and the bank is settled.

During the fourth quarter of 2019, the court "Sharjah Court" issued the appeal judgement which obligate the Group to pay an amount of AED 115 Million (approximately KD 9.5 million) and transfer the title deed of hotel to the creditor bank in addition to legal interest of 5% per annum from the date of the lawsuit was filled.

The legal procedures for transferring the title deed of the hotel to the creditor bank have not been completed up to the date of the consolidated financial statements issuance.

Accordingly, The Group has recognised the following in the consolidated statement of income for the year ended 31 December 2019:

- Impairment loss with a value of KD 746,969, representing the net carrying value of Property, plant and equipment "Rotana Sharjah hotel" (Note 6).
- Gain with an amount of KD 6,620,207, which represents the value of reducing the amount due to the bank from KD 16,153,323 to KD 9,533,116 (approximately AED 115 million) in accordance with of the court appeal decision (Note 19).

In light of the group legal counsel opinion, No provision for the 5% legal interest has been recorded, as the group is currently negotiating with the creditor bank regarding the waivers of the creditor bank from the value of legal interest, as well as rescheduling the payment of an amount of 115 million dirhams due to the bank as per the court verdict. The Group also currently communicating with the execution judge in the United Arab Emirates to set the process of transferring the property ownership to the creditor bank and to obtain more information and explanation regarding to the basis of calculating the 5% interest amount.

The management of the Group believes that the outcome of these negotiations with the creditor bank regarding legal benefits is unknown, and its financial impact on the Group as of the date of the issuance of these consolidated financial statements cannot be reasonably determined.

18. Trade and other payables

	2019	2018
Trade payables	412,101	455,768
Due to related parties (Note 24)	5,145,727	5,441,616
Dividends payables	993,970	993,969
Accrued expenses and leaves	503,724	444,082
Refundable deposits	1,431,579	1,039,040
Customer advance payments	659,716	-
Kuwait Foundation for the Advancement of Science	55,070	39,344
National Labour Support Tax	69,530	51,412
Zakat payable	69,673	51,109
Provision for claims	1,273,016	1,191,565
Other payables	749,907	353,721
	11,364,013	10,061,626

19. Other income

	2019	2018
Gain on discharging loan liability (Note 17)	6,620,207	-
Other income	580,905	658,347
	7,201,112	658,347

20. Staff costs

	2019	2018
Salaries, wages and bonuses	376,886	292,082
End of service benefits and leaves	67,956	76,881
Others	33,429	85,217
	478,271	454,180

21. Other expenses

	2019	2018
Professional fees and consulting	475,728	768,929
Legal expenses	517,712	152,394
Water and electricity	424,908	356,336
Expected credit loss	632,490	5,195
Rent	-	40,800
Insurance	5,431	8,460
Maintenance	15,051	66,981
Subscriptions	75,257	42,707
Donations	11,250	11,250
Others	735,765	312,042
	2,893,592	1,765,094

22. Basic and diluted earnings / (loss) per share

Basic loss per share are calculated by dividing the net profit / (loss) for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings / (loss) per share is calculated by dividing the net profit / (loss) for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December 2019 and 2018.

The information necessary to calculate basic and diluted earnings / (loss) per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2019	2018
Net profit / (loss) for the year	1,666,370	(2,446,207)
Weighted average number of outstanding shares (share)	505,225,024	505,225,024
Basic and diluted earnings / (loss) per share (Fils)	3.30	(4.84)

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

23. Segments information

The main activity of the Group represents the real estate commercial activities such as purchase and sale of lands and properties and investing them and acquiring and managing hotels and its tourism activities. In addition, the Group invests its financial surpluses by investing directly in the share capital of the companies and financial portfolios.

The activities segments of the Group, which are presented to the management, are represented in the following:

- Real estate segment: which represents all activities related to real estate including investment properties.
- Hotels segment: which represents all activities related to establishment, acquiring and managing hotels.
- Investment segment: which represents all activities related to investing in shares and share capital of the companies.

The following table presents the information about net revenues, costs, (loss) profits, assets and liabilities for each segment:

	2019				
	Real estate Division	**Hotels Division**	**Investments Division**	**Unallocated Items**	**Total**
Net revenues	5,784,978	5,896,673	314,188	6,694,661	18,690,500
Costs	(2,764,475)	(5,910,754)	-	(3,843,797)	(12,519,026)
Finance costs	(4,114,982)	(366,166)	(12,000)	(11,956)	(4,505,104)
Segment profits/ (loss)	(1,094,479)	(380,247)	302,188	2,838,908	1,666,370
Assets	112,892,503	17,499,115	12,229,074	13,112,334	155,733,026
Liabilities	78,360,931	10,736,216	1,305,493	7,363,521	97,766,161

	2018				
	Real estate Division	**Hotels Division**	**Investments Division**	**Unallocated Items**	**Total**
Net revenues	5,073,168	6,504,291	355,036	791,133	12,723,628
Costs	(1,595,518)	(6,500,038)	-	(1,744,847)	(9,840,403)
Finance costs	(4,358,223)	(734,961)	(12,000)	(224,248)	(5,329,432)
Segment profits/ (loss)	(880,573)	(730,708)	343,036	(1,177,962)	(2,446,207)
Assets	119,277,985	19,180,201	12,286,900	10,386,906	161,131,992
Liabilities	79,650,650	16,833,572	1,677,922	6,698,123	104,860,267

Geographical distribution of revenues and assets is:

	2019		2018	
	Revenues	**Assets**	**Revenues**	**Assets**
State of Kuwait	13,164,490	105,225,232	11,787,871	119,401,770
United Arab Emirates	5,526,010	47,489,229	864,031	40,714,320
Arab Republic of Egypt	-	3,018,565	71,726	1,015,902
	18,690,500	155,733,026	12,723,628	161,131,992

24. Related party transactions

These represent transactions with certain parties (major shareholders, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management, and board of directors.

The following is the statement of such transactions and balances:

	2019	2018
Related parties transactions		
Dividends income	304,188	274,880
Rental expenses	-	40,800
Finance costs	11,524	236,245
Marketing contribution - Included in expenses of hotel	36,809	42,649
Management fees - Included in expenses of hotel	93,121	132,783
Reservation contribution - Included in expenses of hotel	18,404	21,325
Royalty Fees - Included in expenses of hotel	23,453	24,971
Consultation fee - Included in expenses of hotel	42,000	42,000
General and administrative expense - Included in expenses of hotel	96,000	96,000
Holidex fees - Included in expenses of hotel	8,744	8,751
Commission expenses	26,728	36,566
Assets management fees	103,148	104,129

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

	2019	2018
Balances		
Due from related parties (Note 10)	136,368	121,160
Due to related parties (Note 18) *	5,145,727	5,441,616
Investment at FVOCI (Note 9)	11,119,287	10,868,529
Loans and facilities (Note 17)	311,524	304,524

* Due to related parties includes an amount due to Ultimate Parent Company KD 4,590,998 which carries an interest of 2.5% over the Central Bank of Kuwait discount rate.

Compensation of key management personnel

The remuneration of members of key management during the year were as follows:

	2019	2018
Salaries and remunerations	253,000	244,000
Employees' end of service benefits	15,577	15,577

25. Contingent liabilities

The letters of guarantee issued for third parties were amounted to KD 24,591 as at 31 December 2019 (KD 24,191 as at 31 December 2018).

26. Annual general assembly

The Annual General Assembly of the Parent Company for the year ended 31 December 2018 was held on the 18th of April 2019. Accordingly, the consolidated financial statements for the year ended 31 December 2018 have been approved by the shareholders of the Parent Company.

On 18th of April 2019, the Annual General Assembly approved to use the share premium of KD 5,287,545 and voluntary reserve of KD 4,569,660 to extinguish the accumulated losses of KD 9,857,205.

27. Subsequent events

The existence of Novel Coronavirus (Covid-19) was confirmed in January 2020 in mainland China and has subsequently spread to many other countries around the world. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group considers this event to be a non-adjusting event after the reporting period and therefore has not made any adjustments to the financial statements as a result of this matter. The outcome of this event is unknown and therefore the impact on the Group cannot be reasonably quantified at the date of issuance of these consolidated financial statements. The effect of Covid-19 on the Group will be incorporated into the determination of the expected credit loss estimates, valuation of equity investments at fair value through other comprehensive income, valuation of investment properties, and impairment in value of property, plant and equipment in 2020.