Tijara & Real Estate Investment Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Tijara & Real Estate Investment 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 statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the 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 ("IFRS").

Basis for Opinion

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

Key Audit Matters

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Valuation of Investment properties
Investment properties of the Group represent a significant portion of the total assets as at 31 December 2019 and are carried at fair value. The Management of the Group determines the fair value of its investment properties and uses external appraisers to support the valuation as of 31 December 2019. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions such as rental value, occupancy rates, discount rates, financial stability of tenants, market knowledge and historical transactions. Further, the disclosures relating to the assumptions are relevant, given the estimation uncertainty and sensitivity of the valuations. Due to the size and complexity of the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we identified this as a key audit matter. The Group's policies for fair valuation of investment properties are presented in accounting policies in Note 2 of the consolidated financial statements.

Our audit procedures included, among others, the following:
- We have reviewed the assumptions and estimates made by the management and the external appraisers, appropriateness of the valuation technique and reasonableness of data used in the valuation.
- We have evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of properties such as rental income, occupancy rates, discount rates, and historical transactions.
- We have considered the objectivity, independence and expertise of the external appraisers.
- We assessed that the significant assumptions and related uncertainties are appropriately reflected in the sensitivity disclosure in Note 8 to the consolidated financial statements.

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 auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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 auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

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

Auditor's 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF TIJARA & REAL ESTATE INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, 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, 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.

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

12 February 2020
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	*2019 KD*	*2018 KD*
Rental income		**4,163,999**	4,186,580
Other services and operating income		**23,258**	25,183
Property operating expenses		**(257,704)**	(209,331)
Realized gain on sale of investment property		**105,000**	-
Change in fair value of investment properties	8	**730,152**	56,477
Net profit on investment properties		**4,764,705**	4,058,909
Sale of inventory properties		**1,693,852**	27,041
Cost of sales	6	**(1,647,255)**	(43,321)
Gain (loss) on sale of inventory properties		**46,597**	(16,280)
Impairment loss on inventory properties	6	**-**	(143,123)
Net gain (loss) on inventory properties		**46,597**	(159,403)
Share of results of an associate	7	**25,478**	(185,181)
Net investment gain (loss)		**25,478**	(185,181)
Administrative expenses		**(1,142,595)**	(918,573)
Foreign exchange (loss) gain		**(11,482)**	88,753
Other income		**13,284**	5,395
Operating profit		**3,695,987**	2,889,900
Finance costs		**(1,663,154)**	(1,766,459)
Provision for expected credit losses		**(508,211)**	(91,776)
PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND BOARD OF DIRECTORS' REMUNERATON		**1,524,622**	1,031,665
KFAS		**(13,722)**	(9,285)
NLST		**(53,119)**	(28,569)
Zakat		**(21,248)**	(9,996)
Board of directors' remuneration		**(30,000)**	(30,000)
PROFIT FOR THE YEAR		**1,406,533**	953,815
BASIC AND DILUTED EARNINGS PER SHARE	4	**3.80 fils**	2.58 fils

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	*2019* *KD*	*2018* *KD*
PROFIT FOR THE YEAR		**1,406,533**	953,815
Other comprehensive (loss) income:			
Item that are (or) may be reclassified subsequently to consolidated statement of income:			
Foreign currency translation adjustments of foreign operations		**(6,978)**	27,910
Foreign currency translation adjustments of an associate	7	**(19,471)**	24,805
Other comprehensive (loss) income for the year		**(26,449)**	52,715
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,380,084**	1,006,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	**2019** **KD**	2018 KD
ASSETS			
Bank balances and cash		**3,142,357**	1,229,252
Accounts receivable and prepayments	5	**1,353,732**	1,667,601
Inventory properties	6	**608,732**	2,255,987
Investment in an associate	7	**8,310,925**	6,278,732
Investment properties	8	**60,396,066**	60,179,738
Property and equipment		**23,474**	26,727
TOTAL ASSETS		**73,835,286**	71,638,037
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and accruals	9	**820,149**	801,842
Islamic financing payables	10	**32,740,068**	31,289,925
Employees' end of service benefits		**872,451**	783,736
Total liabilities		**34,432,668**	32,875,503
Equity			
Share capital	12	**37,000,000**	37,000,000
Statutory reserve	12	**413,180**	260,718
General reserve	12	**413,180**	260,718
Share options reserve		**142,253**	142,253
Foreign currency translation reserve		**233,808**	260,257
Treasury shares reserve		**18,132**	18,132
Retained earnings		**1,182,065**	820,456
Total equity		**39,402,618**	38,762,534
TOTAL LIABILITIES AND EQUITY		**73,835,286**	71,638,037

Sheikha / Yasmin Mubarak Jaber Al-Ahmad Al-Sabah
Chairman

Tareq Fareed Al Othman
Vice Chairman and Executive President

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital KD	*Statutory reserve KD*	*General reserve KD*	*Share options reserve KD*	*Foreign currency translation reserve KD*	*Treasury shares reserve KD*	*Retained earnings KD*	*Total KD*
At 1 January 2019	37,000,000	260,718	260,718	142,253	260,257	18,132	820,456	38,762,534
Profit for the year	-	-	-	-	-	-	1,406,533	1,406,533
Other comprehensive loss for the year	-	-	-	-	(26,449)	-	-	(26,449)
Total comprehensive (loss) income for the year	-	-	-	-	(26,449)	-	1,406,533	1,380,084
Transfer to reserves	-	152,462	152,462	-	-	-	(304,924)	-
Distribution of dividends (Note 12)	-	-	-	-	-	-	(740,000)	(740,000)
At 31 December 2019	**37,000,000**	**413,180**	**413,180**	**142,253**	**233,808**	**18,132**	**1,182,065**	**39,402,618**
At 1 January 2018	37,000,000	157,551	157,551	142,253	207,542	18,132	1,182,975	38,866,004
Profit for the year	-	-	-	-	-	-	953,815	953,815
Other comprehensive income for the year	-	-	-	-	52,715	-	-	52,715
Total comprehensive income for the year	-	-	-	-	52,715	-	953,815	1,006,530
Transfer to reserves	-	103,167	103,167	-	-	-	(206,334)	-
Distribution of dividends (Note 12)	-	-	-	-	-	-	(1,110,000)	(1,110,000)
At 31 December 2018	37,000,000	260,718	260,718	142,253	260,257	18,132	820,456	38,762,534

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the year before KFAS, NLST, Zakat and board of directors' remuneration		1,524,622	1,031,665
Adjustments to reconcile profit for the year before KFAS, NLST, Zakat and board of directors' remuneration to net cash flows:			
Depreciation		11,013	13,971
Provision for employees' end of service benefits		165,313	110,897
Realised (gain) loss on sale of inventory properties	6	(46,597)	16,280
Impairment loss on inventory properties	6	-	143,123
Realized gain on sale of investment properties	8	(105,000)	-
Share of results of an associate	7	(25,478)	185,181
Change in fair value of investment properties	8	(730,152)	(56,477)
Finance costs		1,663,154	1,766,459
Provision for expected credit losses		508,211	91,776
Foreign exchange loss (gain)		11,482	(88,753)
		2,976,568	3,214,122
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		(195,038)	(322,502)
Inventory properties	6	1,693,852	27,041
Accounts payable and accruals		(81,264)	(4,618)
Cash flows from operations		4,394,118	2,914,043
Employees' end of service benefits paid		(76,598)	(143,791)
Board of directors' remuneration paid		(30,000)	(30,000)
Net cash flows from operating activities		4,287,520	2,740,252
INVESTING ACTIVITIES			
Additions to investment in an associate		(2,026,186)	(315,452)
Additions to investment properties	8	(50,000)	(2,323,000)
Disposal of investment property	8	655,000	-
Additions to property and equipment		(7,760)	(27,206)
Net cash flows used in investing activities		(1,428,946)	(2,665,658)
FINANCING ACTIVITIES			
Proceeds from Islamic financing payables		17,915,300	8,837,176
Repayment of Islamic financing payables		(16,082,591)	(6,628,837)
Finance costs paid		(2,042,798)	(1,880,831)
Dividends paid		(728,311)	(1,067,448)
Net cash flows used in financing activities		(938,400)	(739,940)
NET INCREASE (DECREASE) IN BANK BALANCES AND CASH		1,920,174	(665,346)
Net foreign exchange difference		(7,069)	73,736
Bank balances and cash at 1 January		1,229,252	1,820,862
BANK BALANCES AND CASH AT 31 DECEMBER		3,142,357	1,229,252

The attached notes 1 to 19 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of Tijara & Real Estate Investment Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively "the Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the board of directors on 12 February 2020. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements in the Annual General Assembly meeting of the Parent Company's shareholders.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the shareholders of the Parent Company in the annual general assembly meeting held on 9 May 2019.

The Parent Company is a public Kuwaiti shareholding company registered and incorporated in Kuwait on 18 April 1983. The Group operates in accordance with the Islamic Share'a and is engaged in the following activities:

- Purchase and sale of land and real estate and exchange thereof; constructing buildings, commercial and residential complexes, and lease and rental thereof.
- Management of own properties and of third parties both inside and outside Kuwait.
- Sale and purchase of securities of companies carrying on similar activities.
- Development and building of real estate properties for the Group and for third parties.
- Maintenance works of buildings and real estate properties owned by the Group, including civil, mechanical, air-conditioning works to preserve all buildings and properties.
- Investing in equities and other investments.

The registered office of the Parent Company is P.O. Box 5655, Safat, 13057 Kuwait. The Parent Company was listed on the Kuwait Stock Exchange on 26 September 2005.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPERATION

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified for investment properties carried at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD), which is also the functional currency of the Parent Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies applied are consistent with those used in the previous year except for the adoption of IFRS 16: Leases effective from 1 January 2019.

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 is summarised below:

IFRS 16: Leases ("IFRS 16")

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16: Leases ("IFRS 16") (continued)
The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The Group has not restated comparative information for year ended 31 December 2018 as permitted by the transitional provisions of the standard. Therefore, the information presented for 31 December 2018 does not reflect the requirements of IFRS 16 and is not comparable to the information presented for 31 December 2019.

The adoption of IFRS 16 did not result in any material change in accounting policies of the Group and does not have any material effect on the Group's consolidated financial statements

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (collectively the "Group") as at 31 December 2019.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises assets (including goodwill), liabilities, non-controlling interests, and other components of equity while any resultant gain or loss is recognized in the consolidated statement of income. Consideration received and any investment retained are recognized in the consolidated statement of financial position at fair value. It also reclassifies any share of components previously recognised in OCI to the consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Details of the subsidiaries included in the consolidated financial statements set out below:

Name of company	*Equity interest*		*Country of incorporation*	*Activities*
	2019	*2018*		
Madar Al Kuwait Trading and Contracting Company - *Single Person Company*	**100%**	100%	Kuwait	General trading
Tilal Real Estate Company W.L.L.*	**95%**	95%	Saudi Arabia	Real Estate

*The remaining shares in the subsidiary are held by related parties who have confirmed in writing that the Parent Company is the beneficial owner.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquired. For each business combination, the acquirer measures the non-controlling interest in the acquire either at fair value or at the proportionate share of the acquirer's identifiable net assets. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in consolidated statement of income or as a change to consolidated other comprehensive income. If the contingent consideration is not within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

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

Gain on sale of inventory properties and investment properties
Gain on sale of inventory properties and investment properties is recognised when the control of properties are transferred to the buyer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those properties.

Other service and operating income
Other service and operating income earned for the provision of services over a period of time are accrued over that period.

Finance costs
Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognized as an expense in the period in which they are incurred.

The finance cost capitalized is calculated using the weighted average cost of borrowing after adjusting for borrowing associated with specific development. Where borrowings are associated with specific developments, the amount capitalized is the gross finance cost incurred on those borrowing less any investment income arising on their temporary investment. Finance cost is capitalized as from the commencement of the development work until the date of practical completion. The capitalization of finance costs is suspended if there are prolonged periods when development activity is interrupted. Finance cost is also capitalized in the purchase cost of a site of property acquired specifically for redevelopment, but only where activities necessary to prepare the asset for redevelopment are in progress.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases
Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. Contingent rents are recognised as revenue in the period in which they are earned.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year (net of accumulated losses brought) after accounting for the transfer to statutory reserve.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. In determining taxable profit, profit of associates and subsidiaries subject to NLST and cash dividends from listed companies subject to NLST are deducted.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Financial instruments – initial recognition, subsequent measurement and derecognition

(i) Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and cash, accounts receivable and prepayments.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order 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 on the principal amount outstanding Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of income when the asset is derecognised, modified or impaired.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(i) Financial assets (continued)

Derecognition
A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:
- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its contractual rights to receive cash flows from the asset and either:
  (a) has transferred substantially all the risks and rewards of the asset, or
  (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities, are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in case of borrowings, plus directly attributable transactions costs. The Group's financial liabilities include accounts payable and accruals and Islamic financing payables.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

(ii) Financial liabilities *(continued)*

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

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

Islamic financing payables
Ijara payables represents the amount payable on a deferred settlement basis for assets purchased under ijara and tawarruq arrangements. Ijara payable is stated at the aggregate of the minimum lease payment due plus finance cost payable, net of any deferred costs.

Tawarruq payables represent amounts payable on a deferred settlement basis for commodities purchased under Tawarruq arrangements. Tawarruq payables are stated at the gross amount of the payables plus finance cost payable, less deferred profit payables.

Murabaha payable is an Islamic agreement which represents the amount payable, on a deferred settlement basis, exceeding one year for assets purchased under murabaha arrangements.

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

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

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

Inventory properties
Inventory properties are measured initially at cost. Subsequent to initial recognition, inventory properties are carried at the lower of cost or net realizable value determined on an individual basis.

Cost comprises the purchase cost of the property and other costs incurred in association with the construction or development of property to bring it to the condition necessary to make the sale.

Net realisable value is the estimated selling price in the ordinary course of the business, less costs to completion and the estimated costs necessary to make the sale.

Investment in an associate
The Group's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in an associate (continued)
The Group's share of profit of an associate is shown on the face of the consolidated statement of income and represents profit after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Investment properties
Investment properties are measured initially at cost, including transaction costs. The carrying amount 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 reflect market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of income in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

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. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of income in the year of retirement or disposal.

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

Properties under construction
Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Property and equipment
Property and equipment are stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial year in which they are incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives for furniture, fixtures and equipment of 3-4 years.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)
The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to social security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Treasury shares
The Parent Company's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Foreign currencies
The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Fair value measurements
The Group measures its non-financial assets such as investment properties, at fair value at the end of each reporting period. Also, fair values of financial instruments measured at amortised cost are disclosed in the consolidated financial statements. 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 Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

For 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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

An analysis of fair values of investment properties are provided in Note 18.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements
In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

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

Business combinations
The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether the acquisition represents the acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the subsidiary (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance in IAS 40 about ancillary services.

When the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill is recognised.

Classification of real estate properties
Management of the Group decides on acquisition of a developed and under development property whether it should be classified as inventory, investment property or property and equipment.

The Group classifies property as inventory property if it is acquired principally for sale in the ordinary course of business.

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

The Group classifies property as property and equipment when it is acquired for owner occupation.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of financial assets at amortised cost
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit 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. As at the reporting date, the Group had no outstanding dilutive potential shares.

	2019	*2018*
Profit for the year (KD)	**1,406,533**	953,815
Weighted average number of shares outstanding during the year (excluding treasury shares)	**370,000,000**	370,000,000
Basic and diluted earnings per share	**3.80 fils**	2.58 fils

5 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019 *KD*	*2018* *KD*
Rent receivables	**1,018,855**	847,459
Provision for expected credit losses	**(299,987)**	(91,776)
Net rent receivables	**718,868**	755,683
Receivable from property developer* (Note 6)	**743,608**	744,221
Provision for expected credit losses	**(300,000)**	-
Net receivable from property developer	**443,608**	744,221
Prepaid expenses	**19,266**	22,338
Staff receivables	**28,698**	33,161
Other receivables	**143,292**	112,198
	1,353,732	1,667,601

As at 31 December 2019, rent receivables at nominal value of KD 299,987 (31 December 2018: KD 91,776) were impaired and fully provided for.

*During the prior year, the Group has reclassified certain inventory property amounting to KD 744,221 (AED: 9,011,360) to "Receivable from property developer" to exchange the previously acquired property with another property. During the year ended 31 December 2019, the Group has recorded a provision for expected credit losses amounting to KD 300,000 in the consolidated statement of income against receivable from property developer.

Movement in the provision for expected credit losses were as follows:

	2019 *KD*	*2018* *KD*
At 1 January	**91,776**	-
Charge for the year	**508,211**	91,776
At 31 December	**599,987**	91,776

6 INVENTORY PROPERTIES

	2019 *KD*	*2018* *KD*
At 1 January	**2,255,987**	3,115,869
Disposals*	**(1,647,255)**	(43,321)
Reclassified to advance payment (Note 5)	-	(673,438)
Impairment loss on inventory properties	-	(143,123)
At 31 December	608,732	2,255,987

*During the year ended 31 December 2019, the Group sold certain inventory properties with a carrying value of KD 1,647,255 (2018: KD 43,321) for a total consideration of KD 1,693,852 (2018: KD 27,041) resulting in a realised gain on disposal of KD 46,597 (2018: loss on disposal of KD 16,280).

7 INVESTMENT IN AN ASSOCIATE

The Group has the following investment in an associate:

Name of company	*Country of incorporation*	*Equity interest as at 31 December 2019 %*	*Equity interest as at 31 December 2018 %*	*Principal activities*
Al Madar Al Thahabia Company W.L.L. ("Al Madar")	Kingdom of Saudi Arabia	**24%**	24%	Sale, purchase, rent and lease of real estate properties and lands

Movement in the carrying amount of investment in an associate is as follows:

	2019 KD	*2018 KD*
At 1 January	**6,278,732**	6,123,656
Additions to investment in an associate	**2,026,186**	315,452
Share of result	**25,478**	(185,181)
Foreign currency translation adjustments	**(19,471)**	24,805
At 31 December	**8,310,925**	6,278,732

Summarised financial information of the Group's investment in an associate at 31 December is as follows:

	2019 KD	*2018 KD*
Current assets	**1,114,797**	864,274
Non-current assets	**34,471,485**	34,474,645
Current liabilities	**(912,405)**	(923,731)
Non-current liabilities	**(45,020)**	(8,253,804)
Equity	**34,628,857**	26,161,384
Proportion of the Group's ownership	**24%**	24%
Group's share in the equity	**8,310,925**	6,278,732

Summarised statement of income for associate is as follows:

	2019 KD	*2018 KD*
Rental income	**1,790,771**	1,216,303
Property operating expenses	**(1,145,401)**	(982,293)
Staff costs	**(161,726)**	(138,270)
Administrative expenses	**(172,467)**	(337,723)
Finance cost	**(203,466)**	(491,139)
Change in fair value of investment property	**(1,552)**	48,198
Profit (loss) for the year	**106,159**	(684,924)
Adjustment to the carrying value of investment in an associate*	**-**	(86,664)
	106,159	(771,588)
Proportion of the Group's ownership	**24%**	24%
Group's share of profit (loss)	**25,478**	(185,181)

* Represents adjustment to the carrying value of investment property in the books of the associate to be in line with the Group's policy.

8 INVESTMENT PROPERTIES

	2019 KD	2018 KD
At 1 January	**60,179,738**	57,733,468
Additions	**50,000**	2,323,000
Disposal*	**(550,000)**	-
Change in fair value of investment properties	**730,152**	56,477
Net foreign exchange gain (loss)	**(13,824)**	66,793
At 31 December	**60,396,066**	60,179,738

*During the year ended 31 December 2019, the Group sold certain investment properties with a carrying value of KD 550,000 for a total consideration of KD 655,000 resulting in a realised gain on disposal of KD 105,000.

As at 31 December 2019, investment properties of KD 4,160,000 (2018: KD 24,637,547) are held in the name of a third party under Ijara agreement (Note 10).

As at 31 December 2019, certain investment properties amounting to KD 31,850,000 (2018: KD 18,713,000) are pledged as a security against Murabaha agreement of KD 25,000,000 (2018: KD 7,524,700) (Note 10).

The fair value of the investment properties amounting to KD 60,396,066 (31 December 2018: KD 60,179,738) has been determined based on valuations obtained from independent valuers, who are an industry specialised in valuing these types of properties. One of the valuers is a local bank who has valued the local investment properties using the income capitalization approach, the other is a local reputable accredited valuer who has valued the local investment properties using the income capitalization approach. For foreign properties the valuation has been performed by a reputable accredited valuer who has valued these properties using the income capitalization approach.

As required by the Capital Market Authority (CMA), the Group has selected the lower of these valuations. Based on these valuations, the Group has recorded a fair value gain of KD 730,152 (2018: KD 56,477) in the consolidated statement of income.

The significant assumptions used in the valuations are set out below:

2019	*Kuwait*	*GCC*
Estimated market price for the land (per sqm) (KD)	**1,808**	**658**
Construction costs (per sqm) (KD)	**413**	**468**
Average monthly rent (per sqm) (KD)	**9**	**6**
Yield rate	**9%**	**8%**
Vacancy rate	**11.7%**	**37.8%**

2018	*Kuwait*	*GCC*
Estimated market price for the land (per sqm) (KD)	1,708	668
Construction costs (per sqm) (KD)	409	264
Average monthly rent (per sqm) (KD)	9	4
Yield rate	9%	8%
Vacancy rate	15%	23%

Sensitivity analysis

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment property.

2019	*Changes in valuation assumptions*	*Kuwait KD*	*GCC KD*
Estimated market price for the land	**5%**	**1,432,400**	**359,190**
Average rent	**5%**	**2,144,500**	**810,025**
Yield rate	**5%**	**2,042,381**	**771,453**
Vacancy rate	**5%**	**2,144,500**	**810,025**

8 INVESTMENT PROPERTIES (continued)

Sensitivity analysis (continued)

2018			
Estimated market price for the land	5%	1,395,900	438,064
Average rent	5%	2,107,375	835,506
Yield rate	5%	2,007,024	795,720
Vacancy rate	5%	2,107,375	835,506

9 ACCOUNTS PAYABLE AND ACCRUALS

	2019 *KD*	*2018* *KD*
Advances from tenants	**145,219**	175,011
Refundable deposits	**250,791**	241,084
Other payables	**424,139**	385,747
	820,149	801,842

10 ISLAMIC FINANCING PAYABLES

2019	***Ijara*** ***KD***	***Tawaruq*** ***KD***	***Murabaha*** ***KD***	***Total*** ***KD***
Gross amount	**4,045,035**	**4,988,808**	**33,272,492**	**42,306,335**
Less: deferred profit	**(946,423)**	**(304,039)**	**(8,315,805)**	**(9,566,267)**
	3,098,612	**4,684,769**	**24,956,687**	**32,740,068**

2018	*Ijara* *KD*	*Tawaruq* *KD*	*Murabaha* *KD*	*Total* *KD*
Gross amount	20,079,458	5,724,993	9,386,338	35,190,789
Less: deferred profit	(1,406,127)	(616,147)	(1,878,590)	(3,900,864)
	18,673,331	5,108,846	7,507,748	31,289,925

Islamic finance payables represent facilities obtained from Islamic financial institutions and carry an average profit rate of 1.5% to 3.25 % (2018: 1.875% to 3.25%) per annum over Central Bank of Kuwait discount rate. Islamic financing payables are mainly due within range of 1 to 9 years from the reporting date.

As at 31 December 2019, Ijara payable of KD 3,095,644 (2018: KD 17,550,000) are secured by the investment properties of KD 4,160,000 (31 December 2018: KD 24,637,547) (Note 8).

As at 31 December 2019, Murabaha payable of KD 25,000,000 (2018: KD 7,524,700) are secured by the investment properties of KD 31,850,000 (2018: KD 18,713,000) (Note 8).

11 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2019 ***KD***	***Cash Flows –in/(out)*** ***KD***	***Other – in/(out)*** ***KD***	***31 December 2019*** ***KD***
Ijara payable	**18,673,331**	**(16,020,124)**	**445,405**	**3,098,612**
Tawarruq payable	**5,108,846**	**(700,857)**	**276,780**	**4,684,769**
Murabaha payable	**7,507,748**	**16,510,892**	**938,047**	**24,956,687**
	31,289,925	**(210,089)**	**1,660,232**	**32,740,068**

11 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	1 January 2019 KD	*Cash Flows –in/(out) KD*	*Other – in/(out) KD*	*31 December 2019 KD*
Ijara payable	18,702,659	(1,083,742)	1,054,414	18,673,331
Tawarruq payable	5,285,365	(554,028)	377,509	5,108,846
Murabaha payable	5,184,077	1,965,278	358,393	7,507,748
	29,172,101	327,508	1,790,316	31,289,925

12 SHARE CAPITAL, GENERAL ASSEMBLY MEETING AND RESERVES

a) Share capital and general assembly meeting
The authorised, issued and fully paid up share capital at 31 December 2019, comprises 370,000,000 shares (2018: 370,000,000 shares) of 100 fils (2018: 100 fils) each paid up in cash.

The Annual General Assembly of the shareholders of the Parent Company held on 9 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 and the distribution of cash dividends of 2 fils (2017: 3 fils) per share of KD 740,000 (2017: KD 1,110,000) for shareholders registered on that date.

In addition, the Annual General Assembly of the shareholders of the Parent Company approved the payment of Board of directors' remuneration amounting to KD 30,000 for the year ended 31 December 2018 (2017: KD 30,000).

The proposed cash dividends on ordinary shares for the year ended 31 December 2019 is 3 fils per share of KD 1,110,000 (2018: 2 fils per share of KD 740,000) are subject to the approval of the annual general meeting (AGM) and are not recognised as a liability as at 31 December.

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 contributions 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.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

General reserve
In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before contributions to KFAS, NLST, Zakat and board of directors' remuneration is required to be transferred to the general 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.

13 RELATED PARTY TRANSACTIONS AND BALANCES

These represent transactions with major shareholders, directors, executive officers and key management personnel of the Group, close members of their families and companies of which they are principal owners or over which they are able to exercise control or significant influence entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no significant transactions with related parties during the financial years ended 31 December 2019 and 31 December 2018.

Key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The key management personnel compensation is as follows:

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Key management personnel (continued)

	2019 KD	*2018 KD*
Salaries and short-term benefits	**289,950**	249,200
Employees' end of service benefits	**125,739**	48,421
	415,689	297,621

The Board of Directors of the Parent Company proposed a directors' remuneration of KD 30,000 for the year ended 31 December 2019 (2018: 30,000). This proposal is subject to the approval of the shareholder at the AGM of the Parent Company

14 CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitment
The Group does not have any capital commitments in respect of construction agreements as of the reporting date.

Contingent liabilities
The Group does not have any contingent liabilities as of the reporting date.

15 SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Real Estate management comprises investment and trading in real estate and construction or development of real estate for the sale in the ordinary course of business and the provision of other related real estate services.
- Investment management comprises participation in financial and real estate funds and managing the Group's liquidity requirements.
- Other management comprises other activities rather than real estate and investment activities.

31 December 2019	***Real estate activities KD***	***Investment activities KD***	***Others KD***	***Total KD***
Segment revenue	**4,187,257**	-	-	**4,187,257**
Segment results	**1,123,804**	-	-	**1,123,804**
Change in fair value of investment properties	**730,152**	-	-	**730,152**
Realised gain on sale of inventory properties	**46,597**	-	-	**46,597**
Realized gain on sale of investment property	**105,000**	-	-	**105,000**
Impairment loss on inventory properties	-	-	-	-
Share of results of an associate	-	**25,478**	-	**25,478**
Other income	-	-	**13,284**	**13,284**
Provision for expected credit losses	**(508,211)**	-	-	**(508,211)**
Unallocated expenses - net	-	-	**(129,571)**	**(129,571)**
Segment profit (loss)	**1,497,342**	**25,478**	**(116,287)**	**1,406,533**
Segment assets	**65,500,887**	**8,310,925**	**23,474**	**73,835,286**
Segment liabilities	**33,560,217**	-	**872,451**	**34,432,668**

15 SEGMENT INFORMATION (continued)

31 December 2018	*Real estate activities KD*	*Investment activities KD*	*Others KD*	*Total KD*
Segment revenue	4,211,763	-	-	4,211,763
Segment results	1,317,400	-	-	1,317,400
Change in fair value of investment properties	56,477	-	-	56,477
Realised loss on sale of inventory properties	(16,280)	-	-	(16,280)
Impairment loss on inventory properties	(143,123)	-	-	(143,123)
Share of results of an associate	-	(185,181)	-	(185,181)
Other income	-	-	5,395	5,395
Provision for expected credit losses	(91,776)	-	-	(91,776)
Unallocated expenses - net	-	-	10,903	10,903
Segment profit (loss)	1,122,698	(185,181)	16,298	953,815
Segment assets	65,332,578	6,278,732	26,727	71,638,037
Segment liabilities	32,091,767	-	783,736	32,875,503

16 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk.

Risk management structure
The Board of Directors of the Parent Company is ultimately responsible for identifying and controlling risks and for the overall risk management approach and for approving the risk strategies and principles.

Executive management
The Executive management of the Group formulates the risk management policies of the Group and makes recommendations to the Board of Directors.

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

With respect to credit risk arising from the other financial assets of the Group, including bank balances and accounts receivable, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks. With respect to accounts receivables, the Group minimises concentrations of credit risk by undertaking transactions with a large number of tenants. In addition, accounts receivable balances are monitored on an ongoing basis.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements
The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

16 RISK MANAGEMENT (continued)

Credit risk (continued)
Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)

	Gross maximum exposure 2019 KD	*Gross maximum exposure 2018 KD*
Cash and bank balances (excluding cash on hand)	**3,140,178**	1,225,883
Accounts receivable (excluding prepayments and advances)	**890,857**	901,042
Total credit risk exposure	**4,031,035**	2,126,925

Risk concentrations of the maximum exposure to credit risk
The Group's financial assets, before taking into account any collateral held or other credit enhancements (if any), can be analysed by the following geographical regions and industrial sectors:

	2019				*2018*			
	Banking and financial services KD	*Construction and real estate KD*	*Other KD*	*Total KD*	*Banking and financial services KD*	*Construction and real estate KD*	*Other KD*	*Total KD*
Kuwait	**2,892,668**	**292,142**	**46,673**	**3,231,483**	1,176,058	247,138	49,936	1,473,132
Other GCC	**247,510**	**506,170**	**45,872**	**799,552**	49,825	576,712	27,256	653,793
	3,140,178	**798,312**	**92,545**	**4,031,035**	1,225,883	823,850	77,192	2,126,925

Liquidity risk
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, cash equivalents, and readily marketable securities.

Liquidity risk and funding management
The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

Analysis of financial liabilities by remaining contractual maturities
The contractual maturities of liabilities have been determined on the basis of the remaining period at the consolidated statement of financial position date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profiles of the financial liabilities at the year-end are based on contractual undiscounted repayment arrangement or on management's estimate of planned exit dates.

The maturity profile of the undiscounted financial liabilities at 31 December was as follows:

31 December 2019	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*1 to 3 years KD*	*Over 3 years KD*	*Total KD*
LIABILITIES						
Accounts payable and accruals (excluding advances from tenants)	-	-	**674,930**	-	-	**674,930**
Islamic financing payables	**548,767**	**644,372**	**783,360**	**7,262,960**	**33,066,876**	**42,306,335**
TOTAL LIABILITIES	**548,767**	**644,372**	**1,458,290**	**7,262,960**	**33,066,876**	**42,981,265**

16 RISK MANAGEMENT (continued)

Liquidity risk (continued)

31 December 2018	*Within 3 months KD*	*3 to 6 months KD*	*6 to 12 months KD*	*1 to 3 years KD*	*Over 3 years KD*	*Total KD*
LIABILITIES						
Accounts payable and accruals (excluding advances from tenants)	-	-	626,831	-	-	626,831
Islamic financing payables	880,882	491,106	408,961	8,187,364	25,222,476	35,190,789
TOTAL LIABILITIES	880,882	491,106	1,035,792	8,187,364	25,222,476	35,817,620

Market risk
Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as profit rates and foreign exchange rates, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

a) Profit rate risk
Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. The Group is exposed to profit rate risk on its floating profit bearing Ijara agreements (Note 10). Other than this the Group is not exposed to any other significant profit risk.

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

	Increase / decrease in basis points	*Effect on profit for the year KD*
2019	**+/-1%**	**327,772**
2018	+/-1%	309,472

b) Foreign currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed by the treasury department of the Parent Company on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The effect on profit (due to change in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant is shown below:

	2019		*2018*	
Currency	***Change in exchange rate %***	***Effect on profit for the year KD***	*Change in exchange rate %*	*Effect on profit for the year KD*
SAR	**+/-3%**	**305,203**	+/-3%	319,480
USD	**+/-3%**	**92,940**	+/-3%	102,407

17 CAPITAL MANAGEMENT

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in objectives, policies or processes for managing capital during the year ended 31 December 2019 and 31 December 2018 as disclosed in Note 12 to the consolidated financial statements.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic finance payables and accounts payable and accruals (excluding advances from tenants), less bank balances and cash. Capital represents total equity of the Parent Company.

	2019 *KD*	*2018* *KD*
Accounts payable and accruals (excluding advances from tenants)	**674,930**	626,831
Islamic financing payables	**32,740,068**	31,289,925
Less: Bank balances and cash	**(3,142,357)**	(1,229,252)
Net debt	**30,272,641**	30,687,504
Equity	**39,402,618**	38,762,534
Total capital and net debt	**69,675,259**	69,450,038
Gearing ratio	**43%**	44%

18 FAIR VALUE MEASUREMENTS

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

		Fair value measurement using		
31 December 2019	***Total*** ***KD***	***Quoted prices in active markets (Level 1)*** ***KD***	***Significant observable inputs (Level 2)*** ***KD***	***Significant unobservable inputs (Level 3)*** ***KD***
Investment properties	**60,396,066**	-	-	**60,396,066**
31 December 2018				
Investment properties	60,179,738	-	-	60,179,738

There were no transfers between any levels of the fair value hierarchy during 2019 or 2018.

Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 8.

Valuation techniques used to derive Level 3 fair values

The Group has one class of properties (residential and commercial). The table below illustrates the following:

- A description of the valuation techniques applied
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

19 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for investment properties and inventory properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities is as follows:

31 December 2019	*Within 1 year KD*	*1 to 10 Years KD*	*Total KD*
ASSETS			
Bank balances and cash	**3,142,357**	-	**3,142,357**
Accounts receivable and prepayments	**1,353,732**	-	**1,353,732**
Inventory properties	**608,732**	-	**608,732**
Investment in an associate	-	**8,310,925**	**8,310,925**
Investment properties	-	**60,396,066**	**60,396,066**
Property and equipment	-	**23,474**	**23,474**
TOTAL ASSETS	**5,104,821**	**68,730,465**	**73,835,286**
LIABILITIES			
Accounts payable and accruals	**820,149**	-	**820,149**
Islamic financing payables	**556,454**	**32,183,614**	**32,740,068**
Employees' end of service benefits	-	**872,451**	**872,451**
TOTAL LIABILITIES	**1,376,603**	**33,056,065**	**34,432,668**

31 December 2018	*Within 1 year KD*	*1 to 10 Years KD*	*Total KD*
ASSETS			
Bank balances and cash	1,229,252	-	1,229,252
Accounts receivable and prepayments	1,667,601	-	1,667,601
Inventory properties	2,255,987	-	2,255,987
Investment in an associate	-	6,278,732	6,278,732
Investment properties	-	60,179,738	60,179,738
Property and equipment	-	26,727	26,727
TOTAL ASSETS	5,152,840	66,485,197	71,638,037
LIABILITIES			
Accounts payable and accruals	801,842	-	801,842
Islamic financing payables	826,882	30,463,043	31,289,925
Employees' end of service benefits	-	783,736	783,736
TOTAL LIABILITIES	1,628,724	31,246,779	32,875,503