2019

ANNUAL REPORT

تمدين
TAMDEEN
REAL ESTATE

IN THE NAME OF ALLAH, THE MOST GRACIOUS, THE MOST MERCIFUL

H.H. Sheikh
Nawaf Al Ahmad Al Jaber Al Sabah
Crown prince of the State of Kuwait

H.H. Sheikh
Sabah Al Ahmad Al Jaber Al Sabah
Amir of the State of Kuwait

H.H. Sheikh
Sabah Al Khaled Al Hamad Al Sabah
Prime minister of the State of Kuwait

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IN THE NAME OF ALLAH, MOST GRACIOUS, MOST MERCIFUL

ESTEEMED SHAREHOLDERS,

PEACE AND ALLAH'S MERCY AND BLESSINGS BE UPON YOU,

IT GIVES ME GREAT PLEASURE TO MEET WITH YOU TODAY, ON BEHALF OF MY COLLEAGUES ON THE BOARD OF DIRECTORS, TO REVIEW WITH YOU THE ANNUAL REPORT OF TAMDEEN REAL ESTATE COMPANY AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED ON 31 DECEMBER 2019 AND TO PRESENT AN OUTLINE OF THE MAIN ASPECTS OF THE COMPANY'S ACHIEVEMENTS DURING THAT YEAR.

ESTEEMED BROTHERS,

KUWAIT ENJOYS A STRONG ECONOMY CAPABLE OF FACING AND RESPONDING TO ECONOMIC CRISES AS CONFIRMED BY THE INTERNATIONAL CREDIT REPORTS AND RATINGS OF KUWAIT AND ITS ECONOMY. THE GLOBAL CREDIT RATING AGENCY STANDARD AND POOR'S CONFIRMED THE CREDIT RATING OF KUWAIT'S AT "AA" WITH A FUTURE OUTLOOK.

Despite the strong economy and high credit rating, Kuwait's economy still needs to diversify the sources of income besides dependence on oil as the only source of public revenue for the state of Kuwait. This is what the government of Kuwait is seeking in line with the New Kuwait vision 2035, through a comprehensive economic reform plan that focuses on increasing the contribution of the non-oil sector in the gross domestic product and increasing the private sector's participation in the local economy, In order to achieve this the government is developing partnership projects between the public and private sectors in addition to supporting small and medium sized enterprises therefore improving indicators and the business environment in the country to attract foreign investments and encourage non-oil investments.

Therefore, we hope that the Kuwaiti government takes multiple powerful steps and procedures to achieve a qualitative shift in enhancing the competitiveness of the economy in order to highlight the role of Kuwait as a financial and commercial center.

ESTEEMED SHAREHOLDERS,

Tamdeen Real Estate continued to move forward with its promise during the year of 2019 to develop the features of the civilized and urban prospects in the State of Kuwait through the development of the investment lands it owns within the "Tamdeen Square" Project, located in a strategic location in Sabah Al-Salem parallel to King Abdulaziz Al Saud Express Road. All electrical and mechanical installations have been completed at Tamdeen Square residential towers, and the final notes are being completed on the internal and external finishes. As well as the landscaping of internal gardens and the green areas surrounding the towers, according to the report submitted by the consultancy firm. The three multi-floor towers of "Tamdeen Square" will set new standards in the modern urban residential compounds sector in the State of Kuwait.

Tamdeen Real Estate Company also opened "Souk Al Kout", which represents the seafront of Al Kout project at the beginning of the first quarter of 2019 with a new look that mixes harmoniously between modernity in terms of architectural design and the coastal nature of the Arabian Gulf, which contributes to giving our visitors the unique experience of shopping with a distinct natural view.

ESTEEMED BROTHERS,

Tamdeen Real Estate Company continued success during 2019 in achieving the desired development outcomes for its partners and shareholders alike, which is a result of its distinctive leadership and ambitious strategic vision that a group of subsidiary and associate companies specialized in the developing sectors of real estate, investment and entertainment.

The following are the main aspects of the achievements made by those companies during 2019:

Regarding the subsidiary companies, Tamdeen Investment Company achieved a growth in its operating revenues from its investments, especially its investment in the banking sector represented by Ahli United Bank and the petrochemical sector represented by Boubyan Petrochemical Company, where the cash dividends received during 2019 amounted to 10.2 million KD compared to 8.9 million KD in 2018.

This is in addition to the tangible achievements made by the subsidiary companies of Tamdeen Investment Company, as follows:

Tamdeen Company for Advertising which was established with the aim of covering advertising activities and events with audio and visual media for Tamdeen Group has started its works.

The International Restaurants Company started work in preparation for the opening of its first pioneering experiences in the field of innovative restaurants, which are expected to be opened by the summer of 2020 at Sheikh Jaber Al Abdullah Al Jaber Al Sabah International Tennis Complex.

The capital of Spirit Art Company has been increased to 1 million KD, and the company has contracted with one of the international companies which is a pioneer in the field of organizing festive events for the administration of the Arena located at Sheikh Jaber

Al Abdullah Al Jaber Al Sabah International Tennis Complex.

Kuwait Carting Company continued its work in establishing the "Kuwait Carting" circuit, the largest covered multi-story car racing circuit in the Middle East, located at "Al Kout Mall". The total area of "Kuwait Carting" and its various facilities is more than 5,380 square meters, while the circuit is the longest circuit for this type of racing and sports in Kuwait and the Middle East. It is expected to be opened by the summer of 2020 in "Al Kout Mall" .

Tamdeen Franchises Holding Company achieved a net profit during 2019 of 3.4 million KD, which confirms the strength and solidity of the company's assets and investments, including the company's investment in Kuwait National Cinema Company.

Manshar Real Estate Company in response to "Tamdeen Group" vision continued developing the Al Kout project to be the preferred destination for visitors of the southern region and the surrounding areas for the purpose of entertainment and business. At the beginning of 2019, the company assigned the management of the Hyatt Regency at Al Kout Mall to the Hyatt International Group of Hotels due to its outstanding experiences in the hospitality sector. Comprehensive renovations of all guest rooms have started in order to transform them into an innovative modern design, in addition to the opening of the hotel's conference and party center which occupies an area of more than 3,700 square meters. The center is considered an extension and a rich addition to the "Hyatt Regency at Al Kout Mall" hotel. This expansion was in response to the increasing demand to host local and international events and conferences in the region.

With regard to our sister companies, Tamdeen Shopping Centers Company accomplished the following operating and financial developments during 2019:

The company increased its holding in the subsidiary company, Spirit Real Estate Development Company, which is completing the Sheikh Jaber Al Abdullah Al Jaber Al Sabah International Tennis Complex Project, which is to be completed and opened in stages during 2020 to become the first multi-facility and services complex specialized in tennis in the Middle East. It includes the headquarters of the Kuwait Tennis Federation and a tennis academy that includes several covered and exposed stadiums equipped with the latest technologies following international standards. The project also includes a modern five-star hotel and a selection of retail outlets on a building area of 263,430 square meters. This project is the result of cooperation between the company and the Public Authority for Sports and the Kuwait Tennis Federation with the aim of achieving leadership and prosperity in projects that serve our country, our youth and our children in the first place. It is directly connected to Mall 360, one of the most attractive shopping malls for visitors in the country and an international award winning mall.

The group also signed a contract to operate the academy with "Rafa Nadal Academy by Movistar" to launch their second branch in the world in Kuwait, which is considered one of the best tennis sports training centers in the world under the name of world tennis champion Rafa Nadal, ranked first globally. It is expected to open the Academy in April 2020 which makes Rafa Nadal Academy, the first of its kind in the State of Kuwait and the region, as it will be the training center and one of the most important components of the "Sheikh Jaber Al Abdullah Al Jaber Al Sabah International Tennis Complex" which is considered one of the most prominent public-private partnerships in the country and the largest sports initiative launched by the Public Authority for Sports in the State of Kuwait in terms of value and size

This is in addition to the following tangible achievements made by the subsidiary companies of Tamdeen Shopping Centers Company in 2019:

Tamdeen Entertainment Company, (a subsidiary company), opened the second phase of the new family entertainment center INFUNITY SEA at Al Kout Mall during the first quarter of 2019. Within the framework of the company's expansion plans, work is underway to study and implement a group of recreational projects, the most important of which is the opening of the second branch of the Trampoline city in the Assima Mall, on which began last year and is expected to be completed during the year 2020.

In retail, Three-Sixty Style (a subsidiary company) opened a number of new stores for its global brand, such as Balenciaga at Mall 360, Bottega Veneta and YSL in one of the distinctive commercial centers, working on attracting new international brands in addition to opening new branches for existing brands

ESTEEMED SHAREHOLDERS,

In 2019, the Company's operating revenues amounted to approximately KD 20.2 million (compared to the operating revenues of KD 11.4 million in the previous year), and achieved a net profit of KD 7.6 Million (compared to the net profit of KD 5.4 million in the previous year), representing an earnings per share amounting to 18.9 Fils (compared to 13.5 Fils in the previous year).

Based on these positive results, the Board of Directors has decided recommending to the General Assembly to distribute a cash dividend equal to 5% of the paid-up capital to the shareholders of the Company and to grant the members of the Board of Directors a remuneration of KD 60,000 (KD 10,000 for each member director) for the financial year ended on 31 December 2019. This recommendation is subject to the approval of the General Assembly of the shareholders.

IN CONCLUSION,

I would like to take the opportunity, for myself and on behalf of the Board of Directors, to express our deepest thanks and appreciation to His Highness the Amir, Sheikh Sabah Al Ahmad Al Jaber Al Sabah, His Highness the Crown Prince, Sheikh Nawaf Al Ahmad Al Jaber Al Sabah and His Highness the Prime Minister, Sheikh Sabah Al Khaled Al Hamad Al Sabah for their lasting support to the private sector in Kuwait.

We would also like to thank our esteemed shareholders for the trust and support they have always extended to us. Finally, I express my thanks and appreciation to my colleagues on the Board of Directors of the Company, and the employees of the Company for their unrelenting and fruitful efforts to achieve the desired results in the year 2019.

PEACE AND ALLAH'S MERCY AND BLESSINGS BE UPON YOU,

MESHAL JASSIM AL MARZOUQ

CHAIRMAN OF THE BOARD OF DIRECTORS

BOARD MEMBERS	EXECUTIVE MANAGEMENT
Meshal Jassim Al Marzouq CHAIRMAN	**Mohamed Abdulhamid AlMarzook** CEO
Abdulwahab Marzouq Al Marzouq VICE CHAIRMAN	**Salah Abdulaziz Al Bahar** GM - ADMINISTRATION
Sheikh Majed Jaber Al Sabah BOARD MEMBER	**Khalid Omar Abbas** GM - FINANCE
Mohammed Fouad Al Ghanim BOARD MEMBER	**Muath Bisher Al Roumi** GM - MARKETING
Zeyad Hassan Al Qaissy BOARD MEMBER	**Ahlam Daychoum** GM - Legal
Mahmoud Dawoud Al Marzouq BOARD MEMBER	**Nabil Fares** GM - IT

GOVERNANCE REPORT
CORPORATE GOVERNANCE OUTLINE

Tamdeen Real Estate is proceeding with the application of the governance rules guided by a strong belief of its Importance through following the best practice and Implement set of policies and procedures designed to regulate relationships among the shareholders, Board of Directors, Executive Management and stakeholders. The company is keen upon ensuring that all are kept aware at all times of all the relevant development, with the utmost transparency.

Tamdeen has fully adopted and implemented the rules of governance by the Board of Directors monitoring of the work of the various committees, reviewing their periodic reports, looking into the reports received from the Risk Management Office, the remarks of the Internal Audit Office and taking appropriate corrective decisions.

Strongly believing in the importance and value of social responsibility, Tamdeen Real Estate Company has implemented and executed the social responsibility plan for 2019 in order to achieve the results outlined in the report.

A BALANCED STRUCTURE FOR THE BOARD OF DIRECTORS
BOARD OF DIRECTOR'S FORMATION

Member name	Classification of the Member / Secretary	Academic Qualification & Practical Experience	Date of Election/ Assignment
Mr. Meshal Jassim Al Marzouq	Chairman of the Board of Directors – Non Executive	BA and 24 years of experience	12/05/2019
Mr. Abdulwahab Marzouq Al Marzouq	Vice Chairman of the Board of Directors – Non Executive	Diploma and 24 years of experience	12/05/2019
Sheikh Majed Jaber Al Sabah	Member of the Board of Directors – Non Executive	BA and 28 years of experience	12/05/2019
Mr. Mohammed Fouad Al Ghanim	Member of the Board of Directors – Independent	BA and 22 years of experience	12/05/2019
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors – Independent	BA and 29 years of experience	12/05/2019
Mr. Mohammed Dawoud Al Marzouq	Member of the Board of Directors – Independent	BA and 11 years of experience	12/05/2019
Mr. Salah Abdualziz Al Bahar	Secretary of the Board of Directors	BA and 31 years of experience	12/05/2019

BOARD OF DIRECTORS MEETING DURING 2019

Member name	Meeting number 01-2019 Date 26/02/2019	Meeting number 02-2019 Date 19/03/2019	Meeting number 03-2019 Date 12/05/2019	Meeting number 04-2019 Date 14/05/2019	Meeting number 05-2019 Date 11/06/2019	Meeting number 06-2019 Date 07/08/2019	Meeting number 072019 Date 02/10/2019	Meeting number 08-2019 Date 30/10/2019	Meeting number 09-2019 Date 10/11/2019	Number of attendees
Mr. Meshal Jassim Al Marzouq Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr. Abdulwahab Marzouq Al Marzouq Vice Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Sheikh Majed Jaber Al Sabah	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr. Mohammed Fouad Al Ghanim	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr. Zeyad Hassan Al Qaissy	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Mr. Mohammed Dawoud Al Marzouq	✓	✓	✓	✓	✓	✓	✓	✓	✓	9

REGISTRATION, COORDINATION AND KEEPING THE MINUTES OF THE BOARD OF DIRECTORS MEETINGS

The Secretary of the Board of Directors keeps a register of the Company’s Board of Directors minutes of meetings. The register contains information on the agenda of each meeting, place of meeting, the date and time the meeting started and ended. Meetings are numbered sequentially for each year. Files are prepared containing the minutes of the meeting, and the members of the Board are provided with the agenda supported by documents relevant to the meeting before the time of the meeting in order to allow the members sufficient time to study the items on the agenda. The minutes are signed by all attendees. The minutes of the meetings that are held by circulation are signed by all members of the Board of Directors.

ESTABLISH APPROPRIATE ROLES AND RESPONSIBILITIES

DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Company's Board of Directors performs its basic functions and responsibilities which include the following:

- Approving the Company's key objectives, strategies and policies.
- Approving the capital structure that best suits the company and its financial objectives.
- Establishing a governance system for the company that complies with the corporate governance rule provisions issued by the Capital Markets Authority in Kuwait, supervising the same and controlling its effectiveness and amending it as needed.
- Ensuring that the organization structure of the company is implemented with utmost transparency and clarity to enable decision making and implementation of sound governance rules and separation between the powers and authorities of the Board of Directors and the Executive Management.
- Approving the organizational and functional structures in the company and reviewing them on a regular basis.
- Establishing a mechanism to regulate the relations with all relevant parties.
- Establishing a policy to regulate the relations with stakeholders to preserve their rights.
- Determining the dividend policy.
- Issuing remuneration systems granted to employees.
- Appointing or eliminating any member of the Executive Management, CEO or any member reporting to him.
- Ensuring the accuracy and integrity of the data and information that should be disclosed, and ensuring that they conform to the policies and laws of disclosure and transparency in force.
- Issuing the estimated annual budgets and approving the interim and annual financial statements.
- Supervising the main capital expenditure, ownership and disposal of assets.
- Ensuring that all financial and accounting systems are sound including all systems related to financial reports.
- Ensuring the implementation of regulatory systems to measure and manage risks.
- Supervising and monitoring the performance of the members of the Executive Management and ensuring that they are executing all the duties entrusted to them.
- Ensuring that the Company complies with the policies and procedures designed to observe the applicable rules & internal regulations.

RESPONSIBILITIES OF THE EXECUTIVE MANAGEMENT

The Company's Executive Management, represented by the Chief Executive Officer and chief executives, executes a set of functions that may be summarized as follows:

- Executing the general strategy and detailed plans approved by the Board of Directors.
- Executing all policies, regulations and internal regulations of the company as approved by the Board of Directors.
- Initiating an integrated accounting system that ensures the keeping of books, registers and accounts that reflect in a detailed and accurate manner the financial data and income statements in such way as to safeguard the Company's assets.
- Laying down an internal control system and risk management system, and ensuring the effectiveness and adequacy of those systems.
- Undertaking the daily management of the business and administration of the activity, managing the Company's resources in an optimum manner and seeking to maximize profits and minimize expenses in accordance with the Company's objectives and strategy.
- Preparing periodical (financial and non-financial) reports on the progress of the Company's activities in light of the strategic plans and objectives of the company, and submitting those reports to the Board of Directors.
- Preparing the financial statements according to the International Accounting Standards approved by the Kuwaiti Capital Markets Authority.
- Effectively participating to the building and development of moral values within the Company.

ACHIEVEMENTS OF THE BOARD OF DIRECTORS

- Updating and adopting the policies and procedures related to a number of the Company's departments.
- Approval of the annual financial statements for 2018 and the interim statements for 2019.
- Effective follow up of the execution of the Kuwaiti Capital Markets Authority requirements related to Corporate Governarance by:
  - Approving the governance report for the year 2018.
  - Following up the work and reviewing the periodical reports of the committees.
  - Reviewing the reports of the Internal Audit Office and taking appropriate corrective actions
  - Updating and approving the Internal Audit Office Policy.
  - Approved the amendment of the Risk Management Committee Structure in order for the Risk Management Office to report directly to the Risk Management Committee.
  - Approved the amendment of the Risk Management Office In order for the office to have an administrative affiliation to the Board of the Directors.
  - Reviewing the risk reports and ensuring that risks do not exceed the set level approved by the Board.
  - Approve the new appointment of new consulting firms for the Internal Audit Office and Risk Management Office.

BOARD OF DIRECTORS COMMITTEES

The Board of Directors of Tamdeen Real Estate Company aims at approving an administrative structure that helps it discharging its activities. This structure is based on three main committees derived from the Board: Audit Committee, Nominations and Remuneration Committee and Risk Management Committee. These committees have an important role in providing support to the Board of Directors in discharging its duties.

First: Remunerations and Nominations Committee

During 2019, the committee approved key performance indicators (KPI) of the members of the Board of Directors and Executive Management were approved. Also the annual assessment was prepared according to the assessment results. Based on the concept of comprehensive self-evaluation by the members, were the overall performance is measured in a neutral and objective manner, helping to avoid mistakes and to correct the imbalance that hinders the application of corporate governance property.

In addition, the committee had proposed the remuneration for the members of the Board of Directors and the Chief Executive Officer and prepared the Bonus report of 2018.

Formation of the Remunerations and Nominations Committee

The Remuneration and Nominations Committee was formed on 12 May 2019 and its period is in line with the period of the Board and consists of the following members:

1. Mr. Meshal Jassim Al Marzouq	Head of Committee - Non-Executive
2. Mr. Mahmoud Dawoud Al Marzouq	Member of the Committee - Independent
3. Mr. Zeyad Hassan Al Qaissy	Member of the Committee - Independent
4. Mr. Salah Abdulaziz Al Bahar	Secretary of the Committee

Meetings of the Remunerations and Nominations Committee during 2019

Meeting Date	Meeting Number	Number of Attendees
04/02/2019	01-2019	3

- The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

Second: The Audit Committee

During the year, the Audit Committee has held its periodical meetings with the External Auditor, the Internal Audit Officer has attended all the 7 Audit Committee meetings during 2019. Also the Committee reviewed the interm financial statements for the year 2019 and the annual financial statements for 2018. A recommendation was made to the Board of Directors for approval in addition to recommending to the Board of Directors to reappoint the External Auditor after verifying their Independence and reviewing their letters of appointment.

The committee also approved the Audit Committee report for 2018, reviewed the internal audit report and ICR for year 2018 and take the corrective actions and followed up these actions. In addition the committee reviewed the Internal Audit Assessment Report that which is being issued by an independent auditing firm periodically every three years as required by the regulations of CMA and take the corrective actions. The Committee decided not to renew the contract with the independent internal audit office and nominated a new firm to perform internal audit tasks. A recommendation was made to the Board of Directors for approval.

Formation of the Audit Committee

The Audit Committee was formed on 12 May 2019 and its term is in line with the term of the Board and consists of the following members:

1.	Mr. Mahmoud Dawoud Al Marzouq	Head of Committee - Independent
2.	Mr. Mohammad Fouad Al Ghanim	Member of the Committee - Independent
3.	Mr. Zeyad Hassan Al Qaissy	Member of the Committee - Independent
4.	Mr. Samer Abdulsalam Mohammad	Secretary of the Committee

Meetings of the Audit Committee during 2019

Meeting Date	Meeting Number	Number of Attendees
17/03/2019	01 – 2019	3
13/05/2019	02 – 2019	3
27/06/2019	03 – 2019	3
01/08/2019	04 – 2019	3
22/09/2019	05 – 2019	3
26/09/2019	06 – 2019	3
06/11/2019	07 – 2019	3

• The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

Third: Risk Management Committee

During the year, the Committee updated the Risk Register to help the Board of Directors in assessing and following up these risks. In addition, the Committee reviewed the Risk Management Report for 2018 and the Periodic Risk

Management Reports for 2019 and ensured that corrective actions are taken concerning the remarks contained in the report.

The Committee also decided not to renew the contract with the consulting firm of Risk Management and nominated a new firm. A recommendation was made to the Board of Directors for approval.

Formation of the risk management committee

The Risk Management Committee was constituted on 12 May 2019 and its term is in line with the term of the Board and consists of the following members:

1.	Sheikh Majed Jaber Al Sabah	Head of Committee – Non Executive
2.	Mr. Mohammad Fouad Al Ghanim	Member of the Committee - Independent
3.	Mr. Mahmoud Dawoud Al Marzouq	Member of the Committee - Independent
4.	Mr. Emadeldin Abdulwahed	Secretary of the Committee

Meetings of the Risk Management Committee during 2019

Meeting Date	Meeting Number	Number of Attendees
10/01/2019	01 – 2019	3
17/02/2019	02 – 2019	3
19/06/2019	03 – 2019	3
29/07/2019	04 – 2019	3
07/11/2019	05 – 2019	3

• The Committee keeps a record of the minutes of meetings. This record is kept by the Secretary.

MECHANISM OF PROVIDING THE BOARD OF DIRECTORS MEMBERS WITH INFORMATION AND DATA IN AN ACCURATE AND TIMELY MANNER

Tamdeen Real Estate Company provides the mechanisms and tools that enable the members of the Board of Directors to obtain the required information and data in a timely manner. This is achieved by a continuous development of the information technology environment within the Company, the creation of direct communication channels between the Secretary of the Board of Directors and the Board members, and making reports and materials to be discussed at the meetings available a sufficient time in advance in order to facilitate discussion and taking well-informed decisions.

RECRUIT HIGHLY QUALIFIED CANDIDATES FOR MEMBERS OF A BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

FORMATION REQUIREMENTS OF THE NOMINATIONS AND REMUNERATIONS COMMITTEE

The committee was established to assist the Board of Directors of the company in discharging its supervisory responsibilities related to the effectiveness and integrity of compliance with the policies and procedures of remuneration and nomination in the Company, review and approval of the selection criteria and appointing procedures of the members of the Board of Directors and Executive Management and to ensure that the remuneration and nomination policy and methodology comply with the strategic objectives of the company. For this purpose, the remuneration policy was established to attract and safekeep competent, qualified and experienced employees. Accordingly, the Board of Directors has approved this policy as per the recommendation of the committee.

The nomination and remunerations committee is formed of three members in which the head of the committee is a non-executive member of the Board of Directors.

Statement of the Remunerations granted to the members of the Board of Directors and Executive Management at Tamdeen Real Estate Company (parent company) in 2019:

Remunerations of the Executive Management	118,132 KD
Remunerations of the Board of Directors	60,000 KD

There is a recommendation to pay remuneration to the members of the Board of Directors in the amount of KD 60,000 (KD 10,000 for each member) for the year ended 31 December 2019. This recommendation is subject to approval by the general assembly of the shareholders.

ENSURING THE INTEGRITY OF THE FINANCIAL REPORTS

UNDERTAKING OF THE BOARD OF DIRECTORS

We, the chairman and members of the Board of Directors of Tamdeen Real Estate Company (Kuwaiti Public Shareholding Company) hereby declare and warrant the accuracy and integrity of the consolidated financial statements for the year 2019 have been provided to the external auditor and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait and approved by Kuwaiti CMA and that represent the financial position of the company as at 31 December 2019 according to such information and reports as have been received by us from the Executive Management and the independent external auditor and that due care has been made to verify the integrity and accuracy of those reports.

Member Name	Position
Mr. Meshal Jassim Al Marzouq	Chairman of the Board of Directors - Non-Executive Member
Mr. Abdulwahab Marzouq Al Marzouq	Vice Chairman of the Board of Directors - Non-Executive Member
Sheikh Majed Jaber Al Sabah	Member of the Board of Directors - Non-Executive Member
Mr. Mohammed Fouad Al Ghanim	Member of the Board of Directors - Independent
Mr. Zeyad Hassan Al Qaissy	Member of the Board of Directors - Independent
Mr. Mohammed Dawoud Al Marzouq	Member of the Board of Directors - Independent

• Signed by the Board of Directors on 11 March 2020.

UNDERTAKING OF THE INTEGRITY AND ACCURACY OF FINANCIAL STATEMENTS

The Executive Management acknowledges to the Board of Directors in writing accuracy and integrity of the financial statements for the year 2019 that have been presented fairly and properly and that cover all financial aspects of the company from operating statements and results according to the International Financial Reporting Standards and approved by Kuwaiti CMA.

FORMATION REQUIREMENTS OF THE AUDIT COMMITTEE

The Committee aims at assisting the Board of Directors in ensuring the adequacy of the internal audit and supervision regulations enforced at the Company, assessing the performance of the internal and external audit, verifying the adequacy of the company's procedures, monitoring compliance with the laws, regulations, and accounting transactions as well as financial reports in order to ensure transparency and justice thereof in addition to assessing the performance of the internal audit department.

Audit committee is formed of three members in which one of members is independent and the Board chairman or Executive Members of the Board of Directors is not a members in such committee. Also, the committee includes one member of educational qualification and/or practical experience in the accounting and financial fields.

There was no conflict between the recommendations of the committee and the resolutions of the Board of Directors of the company during 2019.

EXTERNAL AUDITOR

The General Assembly appointed an auditor registered in the Auditors' Register at the Authority upon the proposal of the Board of Directors pursuant to a recommendation from the Audit Committee. This appointment of the auditor satisfies all the conditions of the Authority in terms of his being independent and his not undertaking any additional services to the company other than the services required by auditing profession so that his appointment would not affect his neutrality and independence.

APPLY SOUND SYSTEMS OF RISK MANAGEMENT AND INTERNAL AUDIT

RISK MANAGEMENT OFFICE

Tamdeen Real Estate has a Risk Management Office that operates and reports directly to the Risk Management Committee. A specialized consulting firm has been appointed, were the concerned departments, in cooperation with the Risk Management Office, submit their Risk Register Reports to the Board for approval.

FORMATION REQUIREMENTS OF THE RISK MANAGEMENT COMMITTEE

The Risk Management Committee helps the Company's Board of Directors in supervising all matters related to current and future risks associated with the activities of the company.

The risk management committee is formed of three members in which the head of the committee is a non-executive member of the Board of Directors and the chairman of the Board of Directors Is not a member in the committee.

INTERNAL CONTROL AND SUPERVISION SYSTEMS

The company has internal control and supervision systems that cover all the activities of the company in order to maintain the financial integrity of the company's financial position, accuracy of data as well as the efficiency of its operations in various aspects. The organizational structure of the company reflects internal control, including proper identification of authorities and responsibilities, checking, dual control, and supervision, separation of duties and non-conflict of interests. The Board of Directors also follows up on the internal control systems through periodic reports prepared by the various committees and departments of the company.

The commissioning of the Independent Audit Office was renewed to review and evaluate the Company's internal control systems and to prepare a report on this matter provided that the same has to be submitted to the Capital Markets Authority on an annual basis.

The Audit Committee is responsible for reviewing the adequacy and efficiency of the company's internal control systems applied in the company.

INTERNAL AUDIT OFFICE

The Company has provided an Internal Audit Office, where the concerned officer enjoys full independence and the Audit Committee monitors the work of that Office. Further, the company has appointed a consulting firm to work with the Internal Audit Office to perform the tasks and responsibilities entrusted thereto.

PROMOTE CODE OF CONDUCT AND ETHICAL STANDARDS

BUSINESS CHARTER

Tamdeen Real Estate Company ensured implementation of a business charter that promotes the culture of professional conduct and moral values within the company and strengthens the confidence of investors in the integrity of the company and its soundness financially. To this end, the company ensured that the entire staff at the company, whether members of the Board of Directors, Executive Management or other employees, comply to the internal policies and regulations of the company and its legal and supervisory requirements in order to achieve the interests of all parties related to the Company, particularly the shareholders, without any conflict of interest and with a high level of transparency.

POLICY OF REPORTING VIOLATIONS AND EXCESSES

Tamdeen Real Estate Company implies a general policy for reporting violations and excesses. The policy enables company employees to express internally their suspicions concerning any unsound practices that raise supposition in the financial reports, internal control systems or any other matters, and so, by implementing appropriate mechanisms that allow the conduct of independent and fair investigations of these matters while guaranteeing the confidentiality for protection from any negative reaction or damage that may be the result of having reported such practices.

CONFLICT OF INTEREST

The company has a clear policy for conflict of interest, which includes methods for resolving and dealing with conflict of interest cases, without prejudice to the cases set out in the Companies Law.

TIMELY AND HIGH QUALITY DISCLOSURE AND TRANSPARENCY

DISCLOSURE AND TRANSPARENCY

In order to observe the governance criteria related to promoting the disclosure mechanism with utmost accuracy for all major issues related to the performance of the company, its financial position and its ownership structure, the relevant departments approved by the Board of Directors are responsible for verifying that the company is disclosing the material information related to Kuwait Stock Exchange and the Capital Markets Authority. Moreover, the company's website is considered one of the disclosure means in addition to the annual reports, financial interim statements, its notes and all information relevant to the company's activities.

DISCLOSURE REGISTER

The company has a register that includes all disclosures of the members of the Board of Directors and Executive Management and shareholders have the right to peruse this register.

INVESTORS RELATIONS UNIT

The Investor Relations Unit ensures that stakeholders are able to communicate effectively with the company. The unit has activated its role by providing all required data to current and potential investors in easy and convenient ways, in order to answer any queries, through the company's e-mail or direct contact.

DEVELOPING INFORMATION TECHNOLOGY

Tamdeen Real Estate Company is keen to develop its information technology infrastructure that serves as the key driver of its disclosure process. In this regard, the Company's web site serves as an essential part of the disclosure mechanism in addition to the annual reports, financial statements, and notes to the financial statements and information related to the Company's activities.

RESPECT THE RIGHTS OF SHAREHOLDERS

SHAREHOLDERS' RIGHTS

Tamdeen Real Estate seeks to offer optimal respect of the rights of its shareholders right by committing to transparency and constant communication through its dealings between the company's management and shareholders using all available means, taking into consideration the following:

- Adopting open door policy to receive any proposals and complaints that are constantly announced in the Chairman's message during the meetings of the general assemblies.

- The website was updated that provides all information, data and announcements on a regular basis.

- Sending invitations to shareholders for ordinary and extraordinary general assemblies, ensuring that shareholders received the approved dividends through the approved means and encouraging them to practice their rights through the different means of communication. In addition to encouraging shareholders to participate and/or get involved in the company's activities and events held by the company at different timings.

- Encouraging shareholders to attend the annual general assembly meetings by inviting them to participate and giving them the opportunity to vote and practice their rights.

SHAREHOLDERS' REGISTER

The company has a register maintained by the clearing agency which allows investors to inspect this register. All dealings with the data recorded in the register are treated with the highest standards of protection and confidentiality, without conflicting with the applicable laws and controls.

ENCOURAGING SHAREHOLDERS TO PARTICIPATE AND VOTE IN THE COMPANY'S GENERAL ASSEMBLY MEETINGS

Tamdeen Real Estate Believes that participation in the meeting of the company's general assemblies is an inherent right for all shareholders. Therefor the company encourages shareholders to attend the annual general assembly by sending Invitations to participate and allowing shareholders to have access to Information and data related to the agenda to ensure that all shareholders heave access to their rights.

RECOGNIZE THE ROLES OF STAKEHOLDERS

STAKEHOLDERS

Tamdeen Real Estate Company has adopted a policy that regulates its relations with stakeholders. The policy features rules and procedures that guarantee protection and recognition of the rights of stakeholders and ensures that they are properly indemnified in the event of violation of any of their rights in strict observance of the letter and spirit of the relevant laws.

ENCOURAGING STAKEHOLDERS TO KEEP TRACK OF THE COMPANY'S VARIOUS ACTIVITIES

The Company guarantees stakeholder rights by providing information periodically by maintaining continuous communication with them and encouraging them to follow up the Company's activities within a framework of clear transparency and open dialogue by keeping them informed of all developments related to its periodical financial statements and on-going disclosures subject to the Company's contracts and operational policies.

ENCOURAGE AND ENHANCE PERFORMANCE

TRAINING PROGRAMS AND SESSIONS FOR THE MEMBERS OF THE BOARD OF DIRECTORS

Tamdeen Real Estate Company provides the needful training requirements to the members of the Board of Directors and Executive Management in order to promote relevant skills and knowledge as well as to achieve a better performance and competence. In this regard, in 2019, the company has coordinated with training and consultancy authorities in various fields.

PERFORMANCE APPRAISAL

The performance of the Board of Directors and the Executive Management is appraised first as a whole, and second, individually for each member separately by means of key performance indicators.

CREATING INSTITUTIONAL VALUES

At the beginning of every year, the Company identifies the values that it will seek to enhance on the short, medium and long terms by laying down such mechanisms and procedures that would achieve the Company's strategic objectives. Furthermore, Kuwait National Cinema Company continuously develops its internal integrated reporting systems thereby re-affirming its ongoing focus on creating institutional values for all its employees in order to motivate them to strive to achieve financial prosperity for their Company.

SOCIAL RESPONSIBILITY

SOCIAL RESPONSIBILITY POLICY

Tamdeen Real Estate Company is committed to a positive and active role within Kuwaiti society, in recognition of the importance of the private sector's role and its responsibility towards the public good and the sustainable development goals of the nation through the Social Responsibility Policy that has been developed to ensure that the company contributes to the sustainable development of the society, in general, and for the company staff, in particular.

BRIEF ON THE ADOPTED PROGRAMS AND MECHANISMS

The company is a keen contributor and initiator of various social responsibility activities, especially programs and campaigns that directly address children and youth. The company aims to foster and support the abilities and talents of Kuwait's future generations, encourage the youth to adopt a culture of voluntaryism and provide them with training opportunities in relevant specialized fields. Tamdeen Real Estate Company's CSR efforts stimulate innovation, as well as supporting educational, sports, artistic and cultural activities.

PARTNERSHIPS

LOYAC

Tamdeen Real Estate Company continues the annual support of public organizations through its partnership with LOYAC, a non-profit organization that works towards the overall development of Kuwaiti youth. LOYAC's programs help young people develop their talents and abilities to achieve their potential by providing them with training opportunities in vital areas within the labor market.

LOYAC targets young people aged between 5-30 years through educational, training and volunteer programs, it also propels the youth to take initiatives, innovate and find solutions to social challenges.

SPONSORSHIP

Protégés Program

In 2019 the ninth generation of protégés was launched in Kuwait, that is positively influence youth aged between 16- 24 years, and drive them to the realization of their potential through self-Improvement. It is an all- inclusive program that combines workshops and lectures inside and outside Kuwait, all guided by a group of the most talented experts and influentials across multiple fields.

The Protégés is a mentorship program designed to positively influence the youth and push them towards realizing their own potential and becoming their improved selves.

Dar Al Athar Al Islamiyyah - DAI

Dar al Athar al Islamiyyah (DAI) is a cultural organization based around the private art collection owned by Sheikh Nasser Sabah al Ahmed al Sabah, founder of ‘The al Sabah Collection’ and his wife, DAI director general and co-founder Sheikha Hussah Sabah al Salem al Sabah. DAI has already become an internationally recognized cultural organization through the uniqueness of its curated collection as well as the highly regarded cultural, academic and musical events it hosts.

“Nuqat”

In its tenth generation, 2019, Nuqat Programs aim to develop the creativity of talented people. In 2018 we completed the seventh sense program which highlights the unique human potential in inspiration and creative problem-solving. Nuqat organizes activities which focus on various subjects related to the visual arts, therapeutic and performing arts; as well as more commercial fields such as graphic and product design and entrepreneurship. Furthermore, Nuqat launched the special edition of the Human Resources program “Investing in Creativity for Social Impact” through various means such as training programs, lectures and cultural entertainment activities.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS

OF TAMDEEN REAL ESTATE COMPANY – K.P.S.C. - KUWAIT

REPORT ON THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Tamdeen Real Estate Company – Kuwaiti Public Shareholding Company "the Parent Company" and Subsidiaries, (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

VALUATION OF INVESTMENT PROPERTIES

The Group's investment properties represent 25% of the total assets. The valuation of investment properties is a judgement area requiring number of assumptions including capitalization yields, estimated rental & hotel revenue, occupancy rates, historical transactions, BOT contract periods & conditions, rights of use contract periods and renewability. The Group's policy is that property valuations are performed at year end by independent valuators, who are non-related to the Group, and they are licensed valuators and have the required qualifications and experiences. Given the fact that the fair values of the investment properties represent a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Notes 5.12, 16 and 30.4 for more information on investment properties.

Our audit procedures included, among others, assessing the appropriateness of the ways and means of evaluation and inputs used in the evaluation. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties. We furthermore assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit.

CARRYING VALUE OF TRADING PROPERTIES UNDER DEVELOPMENT

The Group's trading properties under development represent 10% of the total assets. The Group's assessment of the carrying value of trading properties under development, being the lower of cost and net realizable value, is a judgmental process. This requires the estimation of selling prices, sales rates and cost to complete, determined for each unit within the site. Accordingly, we considered this as a key audit matter. Refer to Notes 5.14 and 14 for more information on trading property under development.

Our audit procedures included, among others, assessing the appropriateness of management's process for reviewing and assessing the selling prices, cost forecasts to complete the project and recording of costs. We assessed the estimates, assumptions and valuation methodology used by management to arrive at the net realizable value; this included assessing the future costs, sales, development profits and obtaining explanations and supporting third party evidence where practicable.

IMPAIRMENT OF INVESTMENTS IN ASSOCIATES

The Group's investments in associates represent 23% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. Significant management judgment and number of assumptions are required in the assessment of impairment, including the determination of the recoverable value of the investment based on its value-in-use, in case there is a significant or prolonged decline in value based on published price quotes. Further, the projected future cash flows and discount rates used by the Group in determining the investment's value in use are also subject to estimation uncertainty and sensitivity. Accordingly, we considered this as a key audit matter. Refer to Notes 5.4 and 17 for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition. We also reviewed management's assessment of the recoverable value of the investment including the reasonability of the cash flow projections and discount rates used in the value in use calculation for associates, where there was a significant or prolonged decline in value, and the appropriateness of the disclosures made in 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 Group's 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 have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Anwar Y. Al-Qatami, F.C.C.A.

(Licence No. 50-A)

of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait

11 March 2020

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

31 DECEMBER 2019

	NOTE	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Revenue			
Operating revenue		**20,219**	11,364
Cost of revenue	8 (a)	**(6,877)**	(4,319)
Net income		**13,342**	7,045
Management and consultancy fees		**1,086**	989
Change in fair value of investment properties	16	**308**	154
Net income from investments	10	**10,131**	9,190
Share of results of associates	17	**8,108**	6,747
Foreign currency exchange (loss)/gain		**(34)**	214
Other income		**1,213**	708
		34,154	25,047
Expenses and other charges			
Staff costs		**3,828**	2,990
General, administrative & other expenses	8 (b)	**7,276**	4,386
Finance costs		**10,914**	8,639
		22,018	16,015
Profit for the year before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration		**12,136**	9,032
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	9	**(52)**	(22)
Provision for Zakat	9	**(94)**	(71)
Provision for National Labour Support Tax (NLST)	9	**(293)**	(221)
Board of directors' remuneration		**(60)**	(60)
Profit for the year		**11,637**	8,658
Attributable to :			
Owners of the Parent Company		**7,619**	5,434
Non-controlling interests		**4,018**	3,224
		11,637	8,658
Basic and diluted earnings per share attributable to the owners of the Parent Company	11	**18.9 Fils**	13.5 Fils

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

TAMDEEN REAL ESTATE COMPANY - KPSC AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

31 DECEMBER 2019

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Profit for the year	**11,637**	8,658
Other comprehensive income:		
Items to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**-**	17
Share of other comprehensive loss of associates	**(50)**	(852)
	(50)	(835)
Items not to be reclassified to consolidated statement of profit or loss in subsequent periods:		
Net change in fair value of equity investments designated at FVOCI	**84,122**	13,735
Share of other comprehensive income/(loss) of associates	**500**	(339)
	84,622	13,396
Total other comprehensive income for the year	**84,572**	12,561
Total comprehensive income for the year	**96,209**	21,219
Attributable to:		
Owners of the Parent Company	**54,630**	12,382
Non-controlling interests	**41,579**	8,837
	96,209	21,219

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2019

	NOTE	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Assets			
Cash and bank balances	25	**9,417**	15,590
Short term deposits	25	**22,881**	25,409
Accounts receivable and other debit balances	12	**11,250**	11,987
Investments at fair value through other comprehensive income	13	**217,764**	146,005
Trading properties under development	14	**64,294**	57,715
Investment properties under development	15	**-**	3,509
Investment properties	16	**161,246**	153,746
Investments in associates	17	**146,466**	140,698
Intangible assets		**1,830**	-
Other assets		**2,831**	1,996
Total assets		**637,979**	556,655
Liabilities and equity			
Liabilities			
Due to banks	18	**19,065**	23,885
Term loans	19	**240,878**	247,902
Accounts payable and other credit balances	20	**37,704**	39,190
Refundable rental deposits		**8,522**	8,874
Provision for end of service indemnity		**1,471**	1,236
Total liabilities		**307,640**	321,087
Equity			
Share capital	21	**43,193**	43,193
Share premium		**11,132**	11,132
Treasury shares	22	**(11,803)**	(11,419)
Reserve of profit on sale of treasury shares		**756**	756
Legal reserve	23	**13,629**	12,848
Voluntary reserve	23	**15,027**	14,246
Foreign currency translation reserve		**401**	401
Cumulative changes in fair value		**95,424**	48,833
Retained earnings		**27,893**	25,940
Equity attributable to the owners of the Parent Company		**195,652**	145,930
Non-controlling interests		**134,687**	89,638
Total equity		**330,339**	235,568
Total liabilities and equity		**637,979**	556,655

Meshal Jassim Al Marzouq
Chairman

Abdulwahab Marzouq Al Marzouq
Vice Chairman

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2019

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY											
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2019	43,193	11,132	(11,419)	756	12,848	14,246	401	48,833	25,940	145,930	89,638	235,568
Adjustment arising on adoption of IFRS 16 on 1 January 2019 (Note 4.1)	-	-	-	-	-	-	-	-	(561)	(561)	(93)	(654)
Balance as at 1 January 2019 (restated)	43,193	11,132	(11,419)	756	12,848	14,246	401	48,833	25,379	145,369	89,545	234,914
Net change in treasury shares	-	-	(384)	-	-	-	-	-	-	(384)	-	(384)
Dividends paid to non-controlling interests by subsidiary	-	-	-	-	-	-	-	-	-	-	(1,787)	(1,787)
Change in non-controlling interests due to increase in share capital by a subsidiary	-	-	-	-	-	-	-	-	-	-	5,512	5,512
Group's share from the effect of adjustments on retained earnings of an associate	-	-	-	-	-	-	-	-	61	61	(43)	18
Other changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(119)	(119)
Effect resulting from liquidation of an associate (Note 17-a)	-	-	-	-	-	-	-	(420)	420	-	-	-
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(4,024)	(4,024)	-	(4,024)
Transactions with the owners	-	-	(384)	-	-	-	-	(420)	(3,543)	(4,347)	3,563	(784)
Profit for the year	-	-	-	-	-	-	-	-	7,619	7,619	4,018	11,637
Other comprehensive income for the year	-	-	-	-	-	-	-	47,011	-	47,011	37,561	84,572
Total comprehensive income for the year	-	-	-	-	-	-	-	47,011	7,619	54,630	41,579	96,209
Transferred to reserves (Note 23)	-	-	-	-	781	781	-	-	(1,562)	-	-	-
Balance as at 31 December 2019	43,193	11,132	(11,803)	756	13,629	15,027	401	95,424	27,893	195,652	134,687	330,339

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

31 DECEMBER 2019

	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY											
	Share capital KD'000	Share premium KD'000	Treasury shares KD'000	Reserve of profit on sale of treasury shares KD'000	Legal reserve KD'000	Voluntary reserve KD'000	Foreign currency translation reserve KD'000	Cumulative changes in fair value KD'000	Retained earnings KD'000	Sub-total KD'000	Non-controlling interests KD'000	Total KD'000
Balance as at 1 January 2018	43,193	11,132	(11,396)	756	12,291	13,689	384	41,902	26,492	138,443	82,666	221,109
Adjustment arising on adoption of IFRS 9 on 1 January 2018	-	-	-	-	-	-	-	-	(31)	(31)	(15)	(46)
Balance as at 1 January 2018 (restated)	43,193	11,132	(11,396)	756	12,291	13,689	384	41,902	26,461	138,412	82,651	221,063
Net change in treasury shares	-	-	(23)	-	-	-	-	-	-	(23)	-	(23)
Dividends paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	-	(1.805)	(1,805)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(45)	(45)
Cash dividends (Note 24)	-	-	-	-	-	-	-	-	(4,841)	(4,841)	-	(4,841)
Transactions with the owners	-	-	(23)	-	-	-	-	-	(4,841)	(4,864)	(1,850)	(6,714)
Profit for the year	-	-	-	-	-	-	-	-	5,434	5,434	3,224	8,658
Other comprehensive income for the year	-	-	-	-	-	-	17	6,931	-	6,948	5,613	12,561
Total comprehensive income for the year	-	-	-	-	-	-	17	6,931	5,434	12,382	8,837	21,219
Transferred to reserves (Note 23)	-	-	-	-	557	557	-	-	(1,114)	-	-	-
Balance as at 31 December 2018	43,193	11,132	(11,419)	756	12,848	14,246	401	48,833	25,940	145,930	89,638	235,568

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

31 DECEMBER 2019

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
OPERATING ACTIVITIES		
Profit for the year	**11,637**	8,658
Adjustments:		
Depreciation	**349**	234
Provision for end of service indemnity	**289**	267
Change in fair value of investment properties	**(308)**	(154)
Impairment in value of investment in an associate	**564**	100
Loss resulting from liquidation of an associate	**195**	-
Bargain purchase gain from acquisition of additional stake in an existing associate	**(80)**	-
Dividends income	**(9,896)**	(8,725)
Interest income	**(839)**	(565)
Impairment in value of fixed assets	**639**	-
Loss on disposal of fixed assets	**647**	-
Share of results of associates	**(8,108)**	(6,747)
Finance costs	**10,914**	8,639
	6,003	1,707
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	**(895)**	619
Accounts payable and other credit balances	**(2,397)**	6,129
Refundable rental deposits	**(352)**	857
End of service indemnity paid	**(59)**	(61)
Net cash from operating activities	**2,300**	9,251

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

31 DECEMBER 2019

	NOTE	**Year ended 31 Dec. 2019 KD'000**	Year ended 31 Dec. 2018 KD'000
INVESTING ACTIVITIES			
Purchase of investments at fair value through other comprehensive income		**-**	(187)
Proceeds from sale of investments at fair value through other comprehensive income		**9,383**	1,783
Proceeds from liquidation of an associate		**1,193**	-
Paid to acquire additional share of an associate		**(619)**	-
Additions to investment properties		**(2,883)**	(2,450)
Additions to investment properties under development		**(628)**	(16,768)
Additions to trading properties under development		**(5,845)**	(9,692)
Net additions to other assets and intangible assets		**(3,014)**	(1,092)
Dividends income received		**9,896**	8,725
Dividends income received from associates		**4,144**	4,374
Interest income received		**839**	498
Net cash from/(used in) investing activities		**12,466**	(14,809)
FINANCING ACTIVITIES			
Change in non-controlling interests due to increase in share capital by a subsidiary		**5,512**	-
Cash dividends paid to shareholders		**(3,991)**	(4,829)
Cash dividends paid to non-controlling interests by subsidiary		**(1,787)**	(1,805)
Net change in treasury shares		**(384)**	(23)
Change in due to banks		**(4,820)**	13,364
Charge in term loans		**(7,024)**	11,694
Finance costs paid		**(10,973)**	(11,025)
Net cash (used in)/from financing activities		**(23,467)**	7,376
Net (decrease)/increase in cash and cash equivalents		**(8,701)**	1,818
Cash and cash equivalents at the beginning of the year		**40,999**	39,181
Cash and cash equivalents at the end of the year	25	**32,298**	40,999

The notes set out on pages 36 to 78 form an integral part of these consolidated financial statements.

1- INCORPORATION AND ACTIVITIES OF THE PARENT COMPANY

TAMDEEN REAL ESTATE COMPANY – KPSC "THE PARENT COMPANY" WAS INCORPORATED IN KUWAIT ON 16 DECEMBER 1982 IN ACCORDANCE WITH THE COMPANIES LAW. THE PARENT COMPANY ALONG WITH ITS SUBSIDIARIES ARE JOINTLY REFERRED TO AS "THE GROUP". THE PARENT COMPANY'S SHARES ARE TRADED ON THE KUWAIT STOCK EXCHANGE.

THE PRINCIPAL ACTIVITIES OF THE PARENT COMPANY ARE REPRESENTED IN THE REAL ESTATE INVESTMENTS INSIDE AND OUTSIDE THE STATE OF KUWAIT, FOR THE PURPOSES OF OWNERSHIP, RESALE, LEASING AND RENTING. THE PARENT COMPANY IS ALSO ENGAGED IN THE DEVELOPMENT OF REAL ESTATE PROJECTS AND CONSTRUCTION CONTRACTS OF BUILDINGS, MANAGING THE PROPERTIES OF OTHERS, ESTABLISHING AND MANAGING REAL ESTATE INVESTMENT FUNDS, REAL ESTATE STUDIES AND CONSULTANCY, AND INVESTING IN COMPANIES WITH ACTIVITIES SIMILAR TO ITS OWN AND EXPLOITING THE FINANCIAL SURPLUSES AVAILABLE AT THE COMPANY THROUGH ITS INVESTMENT IN FINANCIAL PORTFOLIOS MANAGED BY PROFESSIONAL COMPANIES AND AUTHORITIES.

THE ADDRESS OF THE PARENT COMPANY: PO BOX 21816, SAFAT 13079, STATE OF KUWAIT.

THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 WERE AUTHORISED FOR ISSUE BY THE PARENT COMPANY'S BOARD OF DIRECTORS ON 11 MARCH 2020 AND ARE SUBJECT TO THE APPROVAL OF THE GENERAL ASSEMBLY OF THE SHAREHOLDERS.

2- BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared under historical cost convention except for investment properties, financial assets at fair value through profit or loss and investments at fair value through other comprehensive income.

The consolidated financial statements have been presented in Kuwaiti Dinars (KD).

The Group has elected to present the "consolidated statement of comprehensive income" in two statements: the "consolidated statement of profit or loss" and a "consolidated statement of profit or loss and other comprehensive income".

3- STATEMENT OF COMPLIANCE

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

4- CHANGES IN ACCOUNTING POLICIES

4-1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Group. Information on these new standards is presented below:

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 16 Leases	1 January 2019
IAS 28 - Amendments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
IFRIC 23 Uncertainty over income tax treatments	1 January 2019

IFRS 16 LEASES

IFRS 16 replaced IAS 17 and three related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged. The new accounting policy is described below.

Transition on date of initial application:

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in shareholders' equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

Impact on initial application:

The impact on the Group as a lessee is described below:

The Group presents right-of-use assets in "other assets" and lease liabilities in "accounts payable and other credit balances" in the consolidated statement of financial position. As at 31 December 2019, the carrying value of right-of-use assets amounted to KD157 thousand (1 January 2019: KD490 thousand) and lease liabilities amounted to KD159 thousand (1 January 2019: KD490 thousand).

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current year amounted to KD436 thousand and KD434 thousand and are included in "general, administrative and other expenses" and "finance costs" respectively in the consolidated statement of profit or loss.

There was no impact to the opening shareholders' equity as a result of adoption of IFRS 16 in relation to the Parent Company and the Subsidiaries. However, the Group's share of the adjustments done by its associates on adoption of IFRS 16 amounted to KD561 thousand [Non-controlling interests (NCI) impact KD93 thousand]. Consequently, the Group's retained earnings at 1 January 2019 declined by KD561 thousand, NCI declined by KD93 thousand and investment in associates declined by KD654 thousand.

In general, the associates have also adopted the modified retrospective application adopted by the Group. The retained earnings adjustment noted in the previous paragraph arose mainly due to the fact that certain associates have measured certain right of use assets on a retrospective basis as if the new rules had always been applied.

There was no impact on adoption of IFRS 16 on the Group as a lessor. The Group continues to classify and accounts for its leases as either finance leases or operating leases. However, the standard has changed and expanded the disclosures required relating management of risks arising from the Group's residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head-lease and sub-lease as two separate contracts.

IAS 28 – AMENDMENTS

The amendments to IAS 28 clarify that an entity applies IFRS 9 Financial Instruments, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These include long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture.

The adoption of this amendment did not result in any significant impact on the Group's consolidated financial statements.

ANNUAL IMPROVEMENTS TO IFRSS 2015-2017 CYCLE

Amendments to IFRS 3 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings

The adoption of these amendments did not result in any significant impact on the Group's consolidated financial statements.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

The Interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specified item of income in a tax return is an uncertain treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

4-2 IASB STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of this consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

STANDARD OR INTERPRETATION	EFFECTIVE FOR ANNUAL PERIODS BEGINNING
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

IFRS 10 AND IAS 28 SALE OR CONTRIBUTION OF ASSETS BETWEEN AND AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE - AMENDMENTS

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

• require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)

• require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 3 – AMENDMENTS

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

• clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

• narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

• add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;

• remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and

• add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 AND IAS 8 – AMENDMENTS

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and measurement bases adopted in the preparation of the consolidated financial statements are summarised below:

5-1 BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. All subsidiaries have a reporting date of 31 December. The details of the subsidiaries are set out in Note 7 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5-2 BUSINESS COMBINATIONS

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred or liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

5-3 GOODWILL

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

5-4 INVESTMENT IN ASSOCIATES

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

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 associate. 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 recognizes the amount in the 'share of results of an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

Investments in associates are non-current assets, unless otherwise specified.

5-5 SEGMENT REPORTING

The Group has two operating segments: the real estate and investment segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5-6 REVENUE RECOGNITION

The Group recognizes revenue from the following major sources:

- Rendering of services
- Revenue from sale of properties
- Rental income and other services income from investment properties
- Providing hotel services
- Interest and similar income
- Dividends income

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

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

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

5-6-1 Rental income
Rental income from investment properties is recognised as noted in note 5.9.

5-6-2 Services income
The Group earns revenue from maintenance, advertising and other services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

5-6-3 Management and consultancy fees
The Group earns fees and commission income from diverse range of asset management, investment banking, custody, consultancy and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

5-6-4 Revenue from sale of trading properties
The Group develops and sells residential apartments, which is part of a condominium project located in Kuwait. Revenue on sale of these properties is recognised when control over the property has been transferred to the customer. Management is of the view that an enforceable right to payment with regard to this project does not arise until legal title of the property is passed to the customer / legal notice is served to the customer to take possession of the property. Therefore, revenue is recognised at a point in time when either the legal title is passed to the customer, when legal notice is served to customer to take the possession of the property or on actual hand over to the customer.

5-6-5 Rendering of hotel services
The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

5-6-6 Interest and similar income
Interest income and expenses are reported on an accrual basis using the effective interest method.

5-6-7 Dividend income
Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5-7 OPERATING EXPENSES

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

5-8 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

5-9 LEASES

The Group as lessee

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets (which are not classified as investment properties) on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Subsequent to initial measurement, the Group accounts for certain of its right-of-use assets as investment properties carried at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value is immediately recognised in the consolidated statement of profit or loss.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

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

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

5-10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

The following annual rates are applied:

• Machines and equipment	20% to 33.33%
• Vehicles	20% to 25%
• Furniture, fixtures and office equipment	5% to 33.33%

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

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

5-11 INTANGIBLE ASSETS

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

The cost incurred by the Group for acquiring leasehold rights in lands are capitalized as intangible assets and amortized on straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in the consolidated statement of profit or loss.

5-12 INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property or are determined by the management of the Group based on their knowledge of the property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in profit or loss within "change in fair value of investment property".

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

Investment properties are non-current assets, unless otherwise specified.

5-13 INVESTMENT PROPERTIES UNDER DEVELOPMENT

Investment properties under development represents property held for future use as investment property and is initially measured at cost. Subsequently, property under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

Investment properties under developments are classified as non-current assets, unless otherwise specified.

5-14 TRADING PROPERTIES UNDER DEVELOPMENT

Trading properties under development represent lands and real estate under development/construction for trade, which are stated lower of cost or net realisable value. Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to trading properties under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any are transferred to trading properties.

Trading properties under developments are non-current assets, unless otherwise specified.

5-15 TRADING PROPERTIES

Trading properties are stated at the lower of cost or net realisable value. Costs are those expenses incurred in bringing each property to its present condition including identifiable finance costs. Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

5-16 IMPAIRMENT TESTING OF GOODWILL AND NON-FINANCIAL ASSETS

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the asset or each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements.

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5-17 FINANCIAL INSTRUMENTS

5-17-1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is primarily derecognised when:

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either.

(a) the Group has transferred substantially all the risks and rewards of the asset or

(b) the Group has neither transferred nor retained substantially all risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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.

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 profit or loss.

5-17-2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through Other Comprehensive Income (FVOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

• The Group may make the following irrevocable election/ designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (5.17.3 below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the period presented no such designation has been made.

5-17-3 Subsequent measurement of financial assets

• Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

• Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and short term deposits, which are subject to an insignificant risk of changes in value.

• Accounts receivable and other financial assets
Accounts receivable are stated at original invoice amounts less allowance for any impairment (refer 5.17.4).

Financial assets at amortised costs, which are not categorised under any of the above are classified as "Receivables and other debit balances".

• Financial assets at FVOCI

The Group's financial assets at FVOCI comprise of the following:

- *Investment in equity shares:* These represent investments in equity shares of various companies and include both quoted and unquoted.

Debt instruments at FVOCI

The Group accounts for debt instruments at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset. The Group does not hold any such debt instruments as of the reporting date.

Equity instruments at FVOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

Subsequently these assets are measured at fair value. Dividend on these investments in equity instruments are recognised in the consolidated statement of profit or loss. All other gains and losses are recognised in other comprehensive income (accumulated in the fair value reserve) and are never reclassified to profit or loss. Transfers of realised gains on disposal within components of equity (to retained earnings) are done based on management discretion.

Equity instruments at FVOCI are non-current assets unless management intends to dispose of it within 12 months of the end of the reporting period.

• Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group does not hold any financial assets at FVTPL as of the reporting date.

5-17-4 Impairment of financial assets

All financial assets except for those at FVTPL and Equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognizes a loss allowance for expected credit losses (“ECL”) on financial assets at amortised cost or debt instruments at FVOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

The Group always recognizes lifetime ECL for trade receivables (the simplified approach). The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

5-17-5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include terms loans, due to banks, accounts payable and other credit balances.

The subsequent measurement of financial liabilities depends on their classification as follows (the Group does not have any financial liabilities classified as at fair value through profit or loss):

• *Financial liabilities at amortised cost*

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

• Borrowings (terms loans and due to banks)

Borrowings are carried on the date of the consolidated statement of financial position at their principal amounts. Interest is charged as an expense as it accrues, with unpaid interest included in the creditors' balances. All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

• Wakala payables

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

• Murabaha finance payables

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

• Refundable rental deposits

The refundable rental deposits represent amounts received from tenants in accordance to the signed rental contracts and will be refunded upon expiry of such contracts.

• Accounts payables and other financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities".

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or finance income.

5-17-6 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5-17-7 Offsetting of financial instruments

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

5-17-8 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

5-18 EQUITY, RESERVES AND DIVIDEND PAYMENTS

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to FVOCI investment.

Retained earnings include all current and prior period retained profits. All transactions with owners of the Parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general assembly meeting.

5-19 TREASURY SHARES

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5-20 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

-Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

-In certain instances, the Group is required to perform maintenance and restore properties to agreed specifications. Provisions for such cost are recognised based on terms of the contracts.

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

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

5-21 FOREIGN CURRENCY TRANSLATION

5-21-1 Functional and presentation currency

The financial statements are presented in currency Kuwait Dinar (KD) which is also the functional currency of the Group.

5-21-2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Parent Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary assets classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "fair value through OCI" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

5-21-3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

5-22 END OF SERVICE INDEMNITY

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

With respect to its Kuwaiti national employees, the Parent Company makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Parent Company's obligations are limited to these contributions, which are expensed when due.

5-23 TAXATION AND OTHER STATUTORY CONTRIBUTIONS

5-23-1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Kuwait Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, cash dividends from listed companies which are subjected to NLST.

5-23-2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that transfer to statutory reserve should be excluded from profit for the year when determining the contribution.
Accumulated losses brought forward can be deducted from the adjusted profit for the year when calculating the KFAS contribution for the year.

5-23-3 Zakat

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

Under the NLST and Zakat regulations no carry forward of losses to the future years nor any carry back to prior years is permitted.

5-24 CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short term highly liquid investments maturing within three months from the date of inception.

5-25 FIDUCIARY ASSETS

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

6- SIGNIFICANT MANAGEMENT JUDGMENTS AND ESTIMATION UNCERTAINTY

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

6-1 SIGNIFICANT MANAGEMENT JUDGMENTS

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

6-1-1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 5.17). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6-1-2 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

6-1-3 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.6 are met requires significant judgement.

6-1-4 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

6-1-5 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6-2 ESTIMATES UNCERTAINTY

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6-2-1 Fair value of financial instruments

Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 30).

6-2-2 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The calculation of which includes historical data, assumptions and expectations of future conditions. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6-2-3 Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associates, at each reporting date based on existence of 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 recognizes the amount in the consolidated statement of profit or loss.

The recoverable amount of the investment in associate has been determined based on value in use calculations, using projections based on financial budgets as follows:

	31 Dec. 2019	31 Dec. 2018
Kuwait National Cinema Co. – KPSC		
Financial budgets cover period (years)	**2020 - 2023**	2019 – 2022
Discount rate (weighted average cost of capital)	**10%**	10%
Terminal growth rate	**2.75%**	2.75%
British Industries for Printing and Packaging – KSC (Closed)		
Financial budgets cover period (years)	**2020 - 2023**	-
Discount rate (weighted average cost of capital)	**5.72%**	-

The discount rate reflects the current market assessment or risks specific to associates.

The Group recorded an impairment loss for its investment in British Industries for Printing and Packaging – KSC (Closed) with an amount of KD564 thousand in the consolidated statement of profit or loss for the year ended 31 December 2019.

6-2-4 Revaluation of investment properties and investment properties under development

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. Fair values are estimated by independent valuers who have used valuation techniques. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Where the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete (refer note 15), the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier). When the fair value becomes reliably measurable, the fair value of such properties may vary from the actual cost.

6.2.5 Impairment of investment in trading properties and trading properties under development

Investments in trading properties and trading properties under development (Inventories) are held at the lower of cost or net realisable value. An estimate is made of their net realisable value on an individual basis.

Management estimates the net realisable values of these properties, taking into account the most reliable evidence available at each reporting date. The future realisation of these properties may be affected by market-driven changes that may reduce future selling prices.

7- SUBSIDIARY COMPANIES

7-1 THE CONSOLIDATED SUBSIDIARY COMPANIES OF THE GROUP ARE AS FOLLOWS:

SUBSIDIARY COMPANIES	Effective Percentage of ownership in subsidiary companies		Country of incorporation	Principal activity	Date of incorporation	Date of control
	31 Dec. 2019 %	31 Dec 2018 %				
Tamdeen Investment Company-KPSC(*)	55.94	55.94	Kuwait	Investment	3 March 1997	11 January 2003
Manshar Real Estate Company -KSC (Closed)	77.97	77.97	Kuwait	Real estate	17 March 2007	17 March 2007
Al Adiyat International Real Estate Company – KSC (Closed)	98.98	98.98	Kuwait	Real estate	25 June 2006	1 April 2012
Tamdeen Real Estate Development Company – KSC (Closed)**	33	-	Kuwait	Real estate	21 July 2008	1 April 2016

* This investment is through investment portfolio with a specialized investment company.

** Tamdeen Real Estate Development Company – KSC (Closed) was 99.99% owned by one of the Group's subsidiary companies (Tamdeen Investment Company - KPSC) as of 31 December 2018. During the last quarter of the current year, Tamdeen Real Estate Development Company – KSC (Closed) increased its share capital by way of issuing shares to the Group and certain new shareholders which lead to a decrease in the effective ownership percentage of the Group in the subsidiary. However, the management believes that the Group still has control over the subsidiary

7-2 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group includes only one subsidiary with material non-controlling interests (NCI):

	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	31 Dec. 2019	31 Dec. 2018	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Tamdeen Investment Company-KPSC*	44.06%	44.06%	4,018	3,224	134,677	89,628
Immaterial subsidiaries with non-controlling interests			-	-	10	10
			4,018	3,224	134,687	89,638

* The NCI of Manshar Real Estate Company – KSC (Closed) and Tamdeen Real Estate Development Company – KSC (Closed) are included within Tamdeen Investment Company's NCI.

7- SUBSIDIARY COMPANIES (CONTINUED)

7-3 SUMMARISED FINANCIAL INFORMATION FOR TAMDEEN INVESTMENT COMPANY - KPSC, BEFORE INTRAGROUP ELIMINATIONS, IS SET OUT BELOW:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Non-current assets	**269,539**	187,655
Current assets	**110,932**	108,326
Total assets	**380,471**	295,981
Non-current liabilities	**(362)**	(15,258)
Current liabilities	**(89,837)**	(80,232)
Total liabilities	**(90,199)**	(95,490)
Equity attributable to the shareholders of the Parent Company	**156,352**	106,190
Non-controlling interests (including non-controlling interests in the subsidiary's statement of financial position)	**133,920**	94,301

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Revenue	**18,686**	14,393
Profit for the year attributable to the shareholders of the Parent Company	**5,147**	4,091
Profit for the year attributable to NCI	**4,018**	3,224
Profit for the year	**9,165**	7,315
Other comprehensive income for the year attributable to the owners of the Parent Company	**47,540**	6,651
Other comprehensive income for the year attributable to NCI	**37,447**	5,239
Total other comprehensive income for the year	**84,987**	11,890
Total comprehensive income for the year attributable to the shareholders of the Parent Company	**52,151**	10,788
Total comprehensive income for the year attributable to NCI	**41,080**	8,498
Total comprehensive income for the year	**93,231**	19,286
Dividends paid to non-controlling interests	**1,787**	1,805
Net cash flows used in operating activities	**(7,807)**	(3,572)
Net cash flows from investing activities	**20,627**	12,295
Net cash flows used in financing activities	**(16,749)**	(7,103)
Net change in cash flow	**(3,929)**	1,620

8- COST OF REVENUE AND GENERAL, ADMINISTRATIVE & OTHER EXPENSES

a) Cost of revenue

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Direct staff costs	**1,552**	1,077
Other real estate expenses	**5,325**	3,242
	6,877	4,319

b) General, administrative & other expenses

General, administrative & other expenses include impairment in value of fixed assets of KD639 thousand and loss on disposal of fixed assets of KD 647 thousand.

9- PROVISION FOR CONTRIBUTION TO KFAS, PROVISION FOR ZAKAT AND NLST

The provision for contribution to Kuwait Foundation for Advancement of Sciences (KFAS), provision for Zakat and provision for National Labour Support Tax (NLST) of the Parent Company and subsidiaries are as follows:

	Year ended 31 December 2019			Year ended 31 December 2018		
	Parent Company KD'000	**Subsidiaries KD'000**	**Total KD'000**	Parent Company KD'000	Subsidiaries KD'000	Total KD'000
Provision for contribution to KFAS	**-**	**52**	**52**	-	22	22
Provision for Zakat	**-**	**94**	**94**	-	71	71
Provision for NLST	**128**	**165**	**293**	71	150	221
	128	**311**	**439**	71	243	314

10- NET INCOME FROM INVESTMENTS

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Dividends income	**9,896**	8,725
Interest and other income	**914**	565
	10,810	9,290
Loss resulting from liquidation of an associate	**(195)**	-
Bargain purchase gain from acquisition of additional stake in an existing associate	**80**	-
Impairment in value of investment in an associate (Note 6.2.3)	**(564)**	(100)
	10,131	9,190

11- BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY

Basic and diluted earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of the outstanding shares during the year as follows:

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Profit for the year attributable to the owners of the Parent Company (KD'000)	**7,619**	5,434
Weighted average number of the outstanding shares (excluding treasury shares) (in thousands)	**402,589**	403,430
Basic and diluted earnings per share attributable to owners of the Parent Company	**18.9 فلس**	13.5 فلس

12- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Receivable from tenants	**493**	400
Due from related parties(a)	**2,801**	2,009
Due from sale of trading properties (a)	**4,276**	4,950
Advance payments to contractors	**1,686**	2,107
Paid for incorporation of a subsidiary	**-**	500
Advance to acquire properties	**923**	830
Prepaid expenses	**736**	648
Other debit balances	**655**	896
	11,570	12,340
Provision for impairment (b)	**(320)**	(353)
	11,250	11,987

a) The balances due from related parties and from sale of trading properties are mainly represented by the amounts due from the sale transaction previously performed by the Group for some of its real estate plots which have been invested in for trading purposes to related parties for an amount of KD9,103 thousand and other third parties for an amount of KD10,030 thousand. The Group's management considers the credit risk for these amounts as low as the counterparties are reputable with no history of default and confirms that these due amounts are totally collectible from the concerned parties, and these balances are guaranteed by a related party as well.

b) The Group has determined that ECL allowance for trade receivables amounts to KD213 thousand (31 December 2018: KD281 thousand) and due from related parties and due from sale of trading properties amounts to KD107 thousand (31 December 2018: KD72 thousand). The movement in the provision for impairment was as follows:

12- ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (CONTINUED)

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Balance as at 1 January	**353**	267
Adjustment arising from adoption of IFRS 9	**-**	57
Balance as at 1 January (restated)	**353**	324
ECL (reversal of provision)/provision for the year (net)	**(33)**	29
Balance at end of the year	**320**	353

13- INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Local managed portfolios		
Participations in local companies shares	**98**	104
Participations in capital of companies located outside Kuwait	**6,045**	11,633
	211,621	134,268
	217,764	146,005

Participations in capital of companies located outside Kuwait include the investments of the subsidiary Company [Tamdeen Investment Company – KPSC], in shares listed outside Kuwait. These participations include investments with a total fair value of KD175,188 thousand (31 December 2018: KD93,547 thousand) mortgaged against term loans (Note 19).

During the current year, a subsidiary of the Group disposed part of an investment classified at fair value through other comprehensive income. The fair value of the disposed shares as at the date of de-recognition is KD9,383 thousand and the Group's share of the related cumulative gain of KD3,949 thousand is carried in the cumulative changes in fair value (the cumulative gain carried in the cumulative changes in fair value amounted to KD4,567 thousand at 31 December 2019 and KD618 thousand at 31 December 2018).

Refer note 30.3 for further details relating to the carrying value and fair value of the above investments.

14- TRADING PROPERTIES UNDER DEVELOPMENT

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Cost		
At beginning of the year	**57,715**	46,092
Additions during the year *	**6,579**	11,623
At end of the year	**64,294**	57,715

* The additions to trading properties under development during the current year represent the construction and development cost incurred for Tamdeen Square project (located in Sabah Al-Salem) for construction of investment residential towers. Finance costs of KD442 thousand (31 December 2018: KD758 thousand) have been capitalized during the year.

15- INVESTMENTS PROPERTIES UNDER DEVELOPMENT

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Cost		
At beginning of the year	**6,283**	118,153
Additions during the year	**800**	19,272
Transferred to investment properties*	**(4,309)**	(131,142)
At end of the year	**2,774**	6,283
Impairment in value		
At beginning of the year	**2,774**	2,774
At end of the year	**2,774**	2,774
Net book value at end of the year	**-**	3,509

The additions to the investment properties under development as at 31 December 2018 mainly represent the costs incurred during the year 2018 for the redevelopment of Al Kout Mall project (located in Fahaheel) through one of the subsidiaries [Manshar Real Estate Company – KSC (Closed)].

Finance costs of KD Nil (31 December 2018: KD1,641 thousand) have been capitalized during the current year.

* During the current year, the project of redevelopment of Souq Al Kout was substantially completed and commenced generating revenue. Consequently, the related project costs were transferred to investment properties (during the previous year, Al-Kout Mall project was substantially completed and commenced generating revenue. Consequently, the related project costs of the mall were transferred to investment properties) (Note 16).

16- INVESTMENT PROPERTIES

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Balance at beginning of the year	**153,746**	20,000
Transferred from investment properties under development (Note 15)	**4,309**	131,142
Additions during the year	**2,883**	2,450
Change in fair value during the year	**308**	154
Balance at end of the year	**161,246**	153,746

The additions to investment properties represent the costs incurred during the year for the redevelopment of Al-Kout Complex.

Investment properties include certain redevelopment costs for one of its properties during the current and previous years totalling to KD4,309 thousand and consequently external valuations were obtained to assess the fair value of this property at 31 December 2019 taking into consideration that the property represents a B.O.T project with the Government of Kuwait and the contract term ends in 2024.

The estimation of fair value by an independent real estate valuer has resulted in a change in fair value of KD308 thousand (KD154 thousand as at 31 December 2018) being recognized in the consolidated statement of profit or loss for the year (refer Note 30.4).

Investment properties with a carrying value of KD156,746 thousand at 31 December 2019 (31 December 2018: KD153,746 thousand) [Al Kout Mall and Hyatt Regency Al Kout Mall (previously Al Kout Rotana Hotel) collectively referred to as "Al Kout Complex"] are totally mortgaged against term loans (Note 19).

17- INVESTMENTS IN ASSOCIATES

This item comprises the investments of the Group in the following associates:

		31 Dec. 2019			31 Dec. 2018		
		Ownership %			Ownership %		
Company's name	Place of incorporation	**Direct**	**Indirect ***	**Value KD'000**	Direct	Indirect *	Value KD'000
Tamdeen Shopping Centers Company – KSC (Closed)	Kuwait	**32**	**-**	**50,255**	30	-	45,502
Kuwait National Cinema Company – KPSC	Kuwait	**-**	**48**	**61,352**	-	48	58,554
Tamdeen Pearl Real Estate Company – KSC (Closed)	Kuwait	**-**	**31**	**27,564**	-	31	27,563
Others (a)	Kuwait & Bahrain	**-**	**-**	**7,295**	-	-	9,079
				146,466			140,698

* Indirect holding through the subsidiary [Tamdeen Investment Company – KPSC].

(a) During the current year, Ajmal Holding Company – BSC (Closed) was liquidated. The Group received an amount of KD1,193 thousand in cash from the liquidation, and consequently a loss of KD195 thousand has been recognised in the consolidated statement of profit or loss, and an amount of KD420 thousand representing the Group's share of the associate's cumulative changes in fair value was transferred from the cumulative changes in fair value reserve to retained earnings.

(b) Summarised financial information in respect of each of the Group's material associates, are set out in the following notes (i,ii,iii). The summarised financial information in these notes represents the amounts presented in the financial statements of the associates (and not the Group's share in these amounts) adjusted for differences in accounting policies between the Group and the associate.

17- INVESTMENTS IN ASSOCIATES (CONTINUED)

(i) Tamdeen Shopping Centers Company – KSC (Closed) (unquoted investment)

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Non-current assets	361,450	302,059
Current assets	63,620	63,560
Non-current liabilities	(221,339)	(156,243)
Current liabilities	(32,051)	(40,032)
Non-controlling interest	(8,317)	(9,081)
Equity attributable to the shareholders of the associate	163,363	160,263

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Revenue	36,388	34,500
Profit for the year	10,502	10,507
Other comprehensive loss for the year	(475)	(660)
Total comprehensive income for the year	10,018	9,758
Dividends received from the associate during the year	1,940	1,950

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Shopping Centers Company – KSC (Closed) is set out below:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Net assets of the associate attributable to the shareholders of the associate	163,363	160,263
Proportion of the Group's ownership interest in the associate	32.34%	30%
Other adjustments	(2,577)	(2,577)
Carrying value of the investment	50,255	45,502

17- INVESTMENTS IN ASSOCIATES (CONTINUED)

(ii) Kuwait National Cinema Company – KPSC (quoted investment)

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Non-current assets	**102,185**	90,045
Current assets	**30,585**	37,209
Non-current liabilities	**(12,476)**	(1,893)
Current liabilities	**(25,921)**	(35,371)
Non-controlling interest	**(40)**	(36)
Equity attributable to the shareholders of the associate	**94,333**	89,954

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Revenue	**19,553**	16,667
Profit for the year	**8,572**	8,341
Other comprehensive loss for the year	**(2,735)**	(2,583)
Total comprehensive income for the year	**5,837**	5,758
Dividends received from the associate during the year	**2,204**	2,424

A reconciliation of the above summarised financial information to the carrying value of the investment in Kuwait National Cinema Company – KPSC is set out below:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Net assets of the associate attributable to the shareholders of the associate	**94,333**	89,954
Proportion of the Group's ownership interest in the associate	**48.29%**	47.53%
Goodwill	**15,799**	15,799
Carrying value of the investment	**61,352**	58,554

The investment in this associate company with a carrying value of KD 35,033 thousand (31 December 2018: KD 34,124 thousand) is partially secured against term loans (Note 19).

17- INVESTMENTS IN ASSOCIATES (CONTINUED)

(iii) Tamdeen Pearl Real Estate Company – KSC (Closed) (unquoted investment)

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Total assets	**121,377**	106,819
Total liabilities	**(31,507)**	(16,953)
Non-controlling interest	**(201)**	(201)
Equity attributable to the shareholders of the associate	**89,669**	89,665

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Revenue	**51**	44
Profit for the year	**4**	8
Total comprehensive income for the year	**4**	8

A reconciliation of the above summarised financial information to the carrying value of the investment in Tamdeen Pearl Real Estate Company – KSC (Closed) is set out below:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Net assets of the associate attributable to the shareholders of the associate	**89,669**	89,665
Proportion of the Group's ownership interest in the associate	**30.74%**	30.74%
Carrying value of the investment	**27,564**	27,563

All the associates of the Group are not listed in active markets except for Kuwait National Cinema Company – KPSC and the fair value of the Group's investments in this associate amounted to KD46,920 thousand as at 31 December 2019 (31 December 2018: KD47,121 thousand). The Group's management believes that the carrying amount of investment in Kuwait National Cinema Company is not impaired based on assessment of its recoverable value estimated using the value in-use method (refer note 6.2.3).

(c) Aggregate information of the associates that are not individually material to the Group:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
The Group's share in loss for the year	**(110)**	(390)
Aggregate carrying amount of the Group's interest in these associates as of the reporting date	**7,295**	9,079

(d) The Group's share of results of associates has been recorded based on the latest available (audited/unaudited) financial information prepared by the managements of these associates for the year ended 31 December 2019.

18- DUE TO BANKS

Due to banks represent the balances of overdraft facilities which are granted to the Group by local banks to finance the working capital and the real estate activities. They are repayable on demand with annual floating interest rate which is equal to current interest rate in market.

19- TERM LOANS

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Term loans (a)	**240,878**	247,902
Average interest rate – range (above CBK rate)	**1.5% - 0.75%**	1.65% - 0.75%

(a) Term loans of KD82,400 thousand (31 December 2018: KD110,000 thousand) are contractually due after one year, and the remaining term loans of KD158,478 thousand (31 December 2018: KD137,902 thousand) are maturing within one year and renewed periodically.

(b) The loans granted to the subsidiary companies totalling to KD170,430 thousand (31 December 2018: KD180,422 thousand) are against the mortgage of investments in shares with a fair value of KD175,188 thousand (31 December 2018: KD93,547 thousand) (Note 13), mortgage of investments in associates by an amount of KD35,033 thousand (31 December 2018: KD34,124 thousand) (Note 17) and mortgage of investment properties (Note 16).

20- ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Retentions for executed works	**11,735**	11,272
Rental received in advance	**718**	1,834
Accrued leave and expenses	**4,593**	4,334
Lease liability	**159**	-
Due to related parties	**425**	294
Dividends payable to shareholders	**322**	334
Advance payments received from customers	**5,415**	8,632
Accrued construction costs	**3,815**	5,408
Payable on acquisition of intangible assets	**1,881**	-
Provisions and other credit balances	**8,641**	7,082
	37,704	39,190

21- SHARE CAPITAL

As of 31 December 2019, the authorized, issued and fully paid share capital in cash of the Parent Company comprised of 431,933 thousand shares of 100 Kuwaiti Fils each (31 December 2018: 431,933 thousand shares of 100 Kuwaiti Fils each).

22- TREASURY SHARES

	31 Dec. 2019	31 Dec. 2018
Number of shares - share	**29,803,297**	28,525,910
Percentage of issued shares	**6.9%**	6.6%
Market value (KD'000)	**9,567**	9,984
Cost (KD'000)	**11,803**	11,419

23- RESERVES

In accordance with the Companies Law of Kuwait, 10% of the profit attributable to the owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is transferred each year to the legal reserve until such time that the balance of the legal reserve account equals 50% of the balance of the paid-up share capital.

Distribution of the legal reserve is limited to the amount required to enable the payment of dividends of 5% of paid-up share capital to be made in years when retained earnings are insufficient for the payment of dividends of that amount.

10% of this profit before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration is also transferred to the voluntary reserve, and this transfer could be ceased based on the decision of the Parent Company's board of directors. Transfers to the voluntary reserve are made in accordance with the recommendation of the Parent Company's board of directors to the general assembly.

The amounts transferred during the year to the legal and voluntary reserves attributable to the Parent Company have been calculated as follows:

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Profit for the year	**11,637**	8,658
Deduct:		
Profit attributable to non-controlling interests	**(4,018)**	(3,224)
Profit attributable to owners of the Parent Company	**7,619**	5,434
Add:		
Board of directors' remuneration of the Parent Company	**60**	60
Provision for National Labour Support Tax (NLST) of the Parent Company	**128**	71
Provision for Zakat of the Parent Company	**-**	-
Provision for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) of the Parent Company	**-**	-
Profit attributable to owners of the Parent Company before provision for contribution to KFAS, provision for Zakat, provision for NLST and board of directors' remuneration	**7,807**	5,565
Transferred to legal reserve (10%)	**781**	557
Transferred to voluntary reserve (10%)	**781**	557

24- PROPOSED DIVIDENDS AND REMUNERATIONS

The board of directors of the Parent Company proposed to distribute cash dividends of 10% or 10 Kuwaiti Fils per share from the paid-up share capital, and to pay a remuneration of KD60 thousand to the board of directors and these proposals are subject to the approval of the general assembly of shareholders.

The General Assembly of shareholders held on 12 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 and directors' proposal to distribute cash dividends of 10% or equivalent to 10 Kuwaiti Fils per share from the paid-up share capital to the shareholders and to pay a remuneration of KD60 thousand to the board of directors for the year ended 31 December 2018 (the General Assembly of shareholders held on 11 April 2018 approved to distribute cash dividends of 12% or equivalent to 12 Kuwaiti Fils per share from the paid-up share capital to the shareholders and to pay a remuneration of KD60 thousand to the board of directors for the year ended 31 December 2017).

25- CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following balances of the consolidated statement of financial position:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Cash and bank balances	**9,417**	15,590
Short term deposits	**22,881**	25,409
	32,298	40,999

Short term deposits earn interest at average annual rate of 2.3% (annual rate of 2.2% in 2018).

26- SEGMENTAL ANALYSIS

The Group activities are concentrated in two main segments: Real Estate and Investment. The segments' results are reported to the top management in the Group. The activities of the Group are principally carried out within the State of Kuwait; With the exception of participations in capital of companies located outside Kuwait (Note 13), all of the assets and liabilities are located inside Kuwait.

The following is the segments information, which conforms with the internal reporting presented to management:

	Real Estate KD'000	**Investment KD'000**	**Total KD'000**
Year ended at 31 December 2019			
Gross income	**21,564**	**19,467**	**41,031**
Profit for the year	**1,702**	**9,935**	**11,637**
Total assets	**241,439**	**396,540**	**637,979**
Total liabilities	**(217,441)**	**(90,199)**	**(307,640)**
Total equity	**23,998**	**306,341**	**330,339**
Year ended at 31 December 2018			
Gross income	12,876	16,490	29,366
(Loss)/profit for the year	(806)	9,464	8,658
Total assets	235,828	320,827	556,655
Total liabilities	(225,597)	(95,490)	(321,087)
Total equity	10,231	225,337	235,568

27- RELATED PARTY TRANSACTIONS

Related parties represent associates, directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Consolidated statement of financial position		
Accounts receivable and other debit balances (Note 12)	**2,801**	2,009
Accounts payable and other credit balances (Note 20)	**425**	294
Additions to investment properties, investment properties under development and trading properties under development	**492**	1,293

	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000
Consolidated statement of profit or loss		
Operating revenue	**539**	165
Management and consultancy fees	**1,080**	978
Cost of revenue	**2,135**	1,001
General, administrative and other expenses	**1,020**	804
Benefits of key management personnel of the Group		
Short term employee benefits and board of directors' remuneration	**1,012**	863

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Contra accounts – off consolidated statement of financial position items		
Net book value of customers' portfolios (major shareholders) managed by Tamdeen Investment Company – KPSC (subsidiary company)	**116,665**	127,376

28- CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the date of the consolidated statement of financial position, the Group had contingent liabilities against letters of guarantee issued in favour of third parties of amount KD1,818 thousand (KD1,711 thousand at 31 December 2018).

The Group had capital commitments amounting to KD1,931 thousand (KD4,754 thousand at 31 December 2018) for its project classified under trading properties under development.

29- CONTRA ACCOUNTS – OFF CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS

One of the subsidiary companies [Tamdeen Investment Company – KPSC] manages investment portfolios for third parties which had a net book value of KD138,771 thousand at 31 December 2019 (31 December 2018: KD189,874 thousand) including KD116,665 thousand (31 December 2018: KD127,376 thousand) related to portfolios for related parties (Note 27). These balances are not included in the consolidated statement of financial position.

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT

30-1 CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2019	31 Dec. 2018
Financial assets	**KD'000**	KD'000
Financial assets at amortised cost:		
- Accounts receivable and other debit balances (excluding non-financial assets)*	**7,905**	7,902
- Cash and cash equivalents	**32,298**	40,999
Financial assets at fair value:		
- Investments at fair value through other comprehensive income	**217,764**	146,005
Total financial assets	**257,967**	194,906
Financial liabilities		
Financial liabilities at amortised cost:		
- Due to banks	**19,065**	23,885
- Term loans	**240,878**	247,902
- Accounts payable and other credit balances	**37,704**	39,190
- Refundable rental deposits	**8,522**	8,874
Total financial liabilities	**306,169**	319,851

* Non-financial assets represent advance payments to contractors, paid for incorporation of a subsidiary, advance to acquire properties and prepaid expenses.

30-2 FAIR VALUE MEASUREMENT

Fair value represents 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. Investments at fair value through profit or loss and investments at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 30.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs is considered a reasonable approximation of their fair values. The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (note 16 and 30.4).

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-3 FAIR VALUE HIERARCHY

All financial assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2019					
Investments at fair value through other comprehensive income					
- Local managed portfolios					
• Quoted shares	a	98	-	-	98
- Participations in local companies shares					
• Quoted shares	a	5,523	-	-	5,523
• Unquoted shares	b	-	-	522	522
- Participations in capital of companies located outside Kuwait					
• Quoted shares	a	209,068	-	-	209,068
• Unquoted shares	b	-	-	2,553	2,553
		214,689	-	3,075	217,764

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets at fair value at 31 December 2018					
Available for sale investments					
- Local managed portfolios					
• Quoted shares	a	104	-	-	104
- Participations in local companies shares					
• Quoted shares	a	8,054	-	-	8,054
• Unquoted shares	b	-		3,579	3,579
- Participations in capital of companies located outside Kuwait			-		
• Quoted shares	a	130,908	-	-	130,908
• Unquoted shares	b	-	-	3,360	3,360
		139,066	-	6,939	146,005

There have been no significant transfers between levels 1 and 2 during the reporting period.

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-3 FAIR VALUE HIERARCHY (CONTINUED)

MEASUREMENT AT FAIR VALUE

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted shares (level 1)

The quoted shares present all listed shares that are traded in the financial markets. The fair values are determined by reference to the latest bid prices at the reporting date.

b) Unquoted shares (level 3)

The fair value of unquoted shares is determined by using valuation techniques. Fair value for the unquoted shares investments are approximately the summation of the estimated value of underlying investments as if realised on the date of the consolidated statement of financial position. The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each consolidated financial position date. Investment managers also used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

With regard to certain other unquoted shares, information is limited to periodic financial reports submitted by the managers of the investment. These investments are stated at the net assets value announced by the managers of the investment. As to the nature of these investments, the net assets value announced by the managers of the investment represents the best estimation of available fair values for these investments.

LEVEL 3 FAIR VALUE MEASUREMENTS

Reconciliation of level 3 fair value measurements is as follows:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Balance as at 1 January	**6,939**	2,314
Transfer to level 3	**-**	4,625
Additions during the year	**10**	-
Change in fair value during the year	**(904)**	-
Transfer out of level 3	**(2,970)**	-
Balance as at 31 December	**3,075**	6,939

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-3 FAIR VALUE HIERARCHY (CONTINUED)

MEASUREMENT AT FAIR VALUE (CONTINUED)

The level 3 investments have been fair valued as follows:

Financial assets	Valuation techniques and key input	Significant unobservable input	Relationship of unobservable input to fair value
Unquoted shares	Adjusted book value	Book value adjusted with market risk	The higher the market risk the lower the fair value

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

30-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2019 and 31 December 2018:

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
31 December 2019				
Investment properties				
- Al-Kout Mall and Hyatt Regency Al-Kout Mall (Al-Kout Complex)	-	-	156,746	156,746
- Souq Al-Kout	-	-	4,500	4,500
	-	-	161,246	161,246
31 December 2018				
Investment properties				
- Al-Kout Mall and Al-Kout Rotana Hotel (Al-Kout Complex)	-	-	153,746	153,746
	-	-	153,746	153,746

The fair value of the investment properties has been determined, based on the lower of two valuations obtained from independent valuers (one of the valuers is a bank located in Kuwait), who are specialized in valuing this type of investment properties. One of the valuers has valued the investment properties primarily using two methods, one of which is the yield method and the other being a combination of the market comparison approach for the land and cost minus depreciation approach for buildings. The other valuer has used the market comparison approach in arriving at the fair value. When the market comparison approach is used, adjustments have been incorporated for factors specific to the properties in question, including property size, location, economic condition, similar property prices in surrounding area and permitted activities on the property.

30- SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY AND FAIR VALUE MEASUREMENT (CONTINUED)

30-4 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS (CONTINUED)

LEVEL 3 FAIR VALUE MEASUREMENTS

The measurement of the investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The investment properties within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Opening balance	**153,746**	20,000
Transferred from properties under development	**4,309**	131,142
Additions during the year	**2,883**	2,450
Changes in fair value recognised in profit or loss	**308**	154
Ending balance	**161,246**	153,746

31- RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to variety of financial risks: market risk (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The Parent Company's board of directors are ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management is carried out by investment management and audit committee and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The most significant financial risks to which the Group is exposed to are as follows:

31-1 MARKET RISK

a) FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Kuwait, GCC and other Middle Eastern countries, and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-1 MARKET RISK (CONTINUED)

a) FOREIGN CURRENCY RISK (CONTINUED)

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimize fluctuations and enter into forward foreign exchange contracts, if needed, in accordance with the Group's risks management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign exchange contracts may be entered into for significant long-term foreign currency exposures that are not expected to be offset by other currency transactions.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
US Dollar	**232,067**	165,222

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5%, then this would have impact on the equity by KD11,603 thousand (31 December 2018: KD8,261 thousand).

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

b) INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its short term deposits, and its borrowings (term loans and due to banks) . The borrowings mainly represent short and long term borrowings and bear fixed or variable rates of interest. The management has established levels of interest rate risk by setting limits on the interest rate gaps for stipulated periods.

Positions are monitored on a regular basis and hedging strategies maybe used to ensure positions are maintained within established limits.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of +0.5% and – 0.5% (31 December 2018: +0.5 % and – 0.5%) retrospectively from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments exposed to interest rate risk held at the date of the consolidated statement of financial position. All other variables are held constant. There has been no change during this year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2019		Year ended 31 Dec. 2018	
	+ 0.5 % KD'000	**- 0.5 % KD'000**	+ 0.5 % KD'000	- 0.5 % KD'000
Effect on profit for the year	**(765)**	**765**	(827)	827

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-1 MARKET RISK (CONTINUED)

c) PRICE RISK

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) and investments at fair value through other comprehensive income. The Group's investments are listed on the Kuwait Stock Exchange and other Gulf markets.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio where possible. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analysis below have been determined based on the exposure to equity price risks at the date of the consolidated financial statements. There has been no change in the methods and assumptions used in the preparation of the sensitivity analysis.

If the prices of securities had been 5% higher/lower, the effect on the profit for the year and equity for the year ended 31 December would have been as follows:

	Profit for the year		Equity	
	Year ended 31 Dec. 2019 KD'000	Year ended 31 Dec. 2018 KD'000	**31 Dec. 2019 KD'000**	31 Dec. 2018 KD'000
Market Stock Exchange index + 5%	**-**	-	**10,734**	6,953
Market Stock Exchange index – 5%	**-**	-	**(10,734)**	(6,953)

31-2 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains collateral security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Cash and cash equivalents	**32,298**	40,999
Accounts receivable and other debit balances (excluding non-financial assets)	**7,905**	7,902
Investments at fair value through other comprehensive income	**217,764**	146,005
	257,967	194,906

The credit risk for bank balances included within cash and cash equivalents is considered negligible since the counter parties are reputable financial institutions with high credit quality.

Credit risk details relating to accounts receivable are disclosed in Note 12.

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-3 CONCENTRATION OF ASSETS

The distribution of assets by geographic region was as follows:

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2019			
Geographic region:			
Cash and bank balances	**9,417**	**-**	**9,417**
Short term deposits	**22,881**	**-**	**22,881**
Accounts receivable and other debit balances	**11,250**	**-**	**11,250**
Investments at fair value through other comprehensive income	**6,143**	**211,621**	**217,764**
Trading properties under development	**64,294**	**-**	**64,294**
Investment properties	**161,246**	**-**	**161,246**
Investments in associates	**146,466**	**-**	**146,466**
Intangible assets	**1,830**	**-**	**1,830**
Other assets	**2,831**	**-**	**2,831**
	426,358	**211,621**	**637,979**

	Kuwait KD'000	Other middle eastern countries KD'000	Total KD'000
At 31 December 2018			
Geographic region:			
Cash and bank balances	15,590	-	15,590
Short term deposits	25,409	-	25,409
Accounts receivable and other debit balances	11,987	-	11,987
Investments at fair value through other comprehensive income	11,737	134,268	146,005
Trading properties under development	57,715	-	57,715
Investment properties under development	3,509	-	3,509
Investment properties	153,746	-	153,746
Investments in associates	139,708	990	140,698
Other assets	1,996	-	1,996
	421,397	135,258	556,655

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-4 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Group's management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities. Except for the investments at fair value through other comprehensive income, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for the investments at fair value through other comprehensive income, investment properties under development and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

	31 December 2019			31 December 2018		
	1 year KD'000	Over 1 year KD'000	Total KD'000	1 year KD'000	Over 1 year KD'000	Total KD'000
ASSETS						
Cash and bank balances	**9,417**	**-**	**9,417**	15,590	-	15,590
Short term deposits	**22,881**	**-**	**22,881**	25,409	-	25,409
Accounts receivable and other debit balances	**11,250**	**-**	**11,250**	11,987	-	11,987
Investments at fair value through other comprehensive income	**82,430**	**135,334**	**217,764**	90,422	55,583	146,005
Trading properties under development	**64,294**	**-**	**64,294**	57,715	-	57,715
Investment properties under development	**-**	**-**	**-**	-	3,509	3,509
Investment properties	**-**	**161,246**	**161,246**	-	153,746	153,746
Investments in associates	**-**	**146,466**	**146,466**	-	140,698	140,698
Intangible assets	**-**	**1,830**	**1,830**	-	-	-
Other assets	**-**	**2,831**	**2,831**	-	1,996	1,996
	190,272	**447,707**	**637,979**	201,123	355,532	556,655
LIABILITIES						
Due to banks	**19,065**	**-**	**19,065**	23,885	-	23,885
Term loans	**158,478**	**82,400**	**240,878**	137,902	110,000	247,902
Accounts payable and other credit balances	**14,356**	**23,348**	**37,704**	11,495	27,695	39,190
Refundable rental deposits	**-**	**8,522**	**8,522**	-	8,874	8,874
Provision for end of service indemnity	**-**	**1,471**	**1,471**	-	1,236	1,236
	191,899	**115,741**	**307,640**	173,282	147,805	321,087

31- RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

31-4 LIQUIDITY RISK

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD'000	1-3 months KD'000	3-12 months KD'000	1 - 5 Years KD'000	Total KD'000
31 December 2019					
Financial liabilities (undiscounted)					
Due to banks	**-**	**2,818**	**16,247**	**-**	**19,065**
Term loans	**-**	**2,779**	**155,699**	**86,076**	**244,554**
Accounts payable and other credit balances	**-**	**-**	**14,356**	**23,348**	**37,704**
Refundable rental deposits	**-**	**-**	**-**	**8,522**	**8,522**
	-	**5,597**	**186,302**	**117,946**	**309,845**
31 December 2018					
Financial liabilities (undiscounted)					
Due to banks	-	-	23,885	-	23,885
Term loans	-	3,579	134,323	117,231	255,133
Accounts payable and other credit balances	-	-	11,495	27,695	39,190
Refundable rental deposits	-	-	-	8,874	8,874
	-	3,579	169,703	153,800	327,082

32- CAPITAL MANAGEMENT OBJECTIVES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Due to banks	**19,065**	23,885
Term loans	**240,878**	247,902
Less: Cash and cash equivalents	**(32,298)**	(40,999)
Net debt	**227,645**	230,788
Equity attributable to owners of the Parent Company	**195,652**	145,930
Non-controlling interests	**134,687**	89,638
Total capital	**557,984**	466,356

The Group monitors capital on the basis of the gearing ratio. This gearing ratio is calculated as net debt divided by total capital as follows:

	31 Dec. 2019 KD'000	31 Dec. 2018 KD'000
Net debt	**227,645**	230,788
Total capital	**557,984**	466,356
Gearing ratio	**41%**	50%

33- SUBSEQUENT EVENT

Subsequent to the reporting date, an administrative appeal judgment was issued regarding a legal case in favour of Ministry of Finance in order to increase the rental value of the project of development seafront from KD75 thousand to become KD213 thousand in exchange for the use of the project starting from 1 October 2007 and till the issuance of the final judgement regarding this legal case. However, the appeal judgment will not have a material financial effect on the consolidated financial statements since the Group had previously made the necessary provisions to cover the amount referred to in the judgement, and there will be an appeal by discriminating against the judgement with the appeal including an urgent request to suspend the enforcement until the appeal is decided.

34- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the consolidated financial statements. This reclassification has no effect on the consolidated financial statements of the previous year including total assets, total liabilities, equity, net profit and cash and cash equivalents.