Al Madar Finance and Investment Company K.S.C. (Public)
and its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
For the year ended 31 December 2019

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For the year ended 31 December 2019

Contents

	Page
Independent auditor's report	1 – 3
Consolidated Statement of Financial Position	4
Consolidated statement of income	5
Consolidated Statement of Income and Other Comprehensive Income	6
Consolidated Statement of Changes in Equity	7
Consolidated statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9-48

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Independent auditor's report

To the shareholders,
Al Madar Finance & Investment Co. K.S.C. (Public) And Its Subsidiaries
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Al Madar Finance & Investment Co. K.S.C. (Public) ("the Parent Company") and its subsidiaries, ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of income and other comprehensive income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial 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 financial 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. 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") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the above IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

a) Valuation of investment properties
The Group's investment properties represent significant part of the total assets that are recorded at fair value as at 31 December 2019 determined by external real estate independent valuers. Determination of fair value of investment properties mainly depends on estimates and assumptions such as market knowledge and average market price of similar properties. Disclosures related to assumptions and estimates and policy of investment properties recognition and measurement are presented in accounting policies section in the notes to the consolidated financial statements. Due to size and complexity of performing audit on investment properties, and importance of the disclosures related to assumptions used in valuation, we determined this matter as a key audit matter.

b) Trade receivables
The Group's trade receivables are considered to be a key audit matter for the Group. Due to the nature of the significant judgments associated with the calculation of expected credit losses, the assessment of the expected credit losses is a significant matter. Our main focus is to determine the amounts recoverable from trade receivable, as the determination of the amounts recoverable of certain trade receivables may involve making significant estimates based on several assumptions.

As part of our audit, and among other procedures, we have taken the following procedures:

- With respect to the valuation of investment properties, we have assessed the assumptions and estimates made by the independent valuers in the valuation process so as to determine the appropriateness of the fair value supporting documents. We have also considered several factors, including the objectivity, independence and experience of independent valuers. The adequacy of disclosures on the investment properties have also been assessed in the accompanying consolidated financial statements.

Independent auditor's report (continued)

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

Key Audit Matters (continued)

- With respect to trade receivables, we have examined reasonable samples from trade receivables balances together with the following procedures:
  - Reviewing the compliance with the Group's credit and collection policies and inquiring whether there were changes from previous years.
  - We have reviewed the ageing for trade receivables.
  - We have reviewed the form of expected credit losses used by the management to determine the impairment.
  - We have made test for the inputs used, whether current or historical, and reviewed the assumptions used to calculate the expected credit losses.

Other information included in Board of Directors Report

"Other information" consists of the information included in the Board of Directors Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. We expect that the annual report will be available after the date of 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 or 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 through the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted for use in the State of Kuwait 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 process of preparing the consolidated financial reports.

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 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.

Independent auditor's report (continued)

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

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

- 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 significant 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 determined those matters that were of most significance in the audit of the consolidated financial statements for 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, the inventory was duly carried out and the consolidated financial statements together with the information given in the Board of Directors' report are consistent with the Parent Company's books of account. Also, we have obtained the information and explanations that we deemed necessary for the purpose of our audit, 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 law No. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulations, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations and the Parent Company's Articles of Incorporation and Memorandum of Association as amended. To the best of our knowledge, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulations and law No. 7 of 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its Executive Regulations, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related executives regulations or the Parent Company's Articles of Incorporation and Memorandum of Association, as amended, have occurred during the financial year ended 31 December 2019 that might have had a material effect on the Parent Company's business or its consolidated financial position.

Faisal Saqer Al Saqer
License No. 172 – "A"
BDO Al Nisf & Partners

Kuwait: 19 February 2020

Al Madar Finance and Investment Company K.S.C (Public)
And its subsidiaries
State of Kuwait

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019	2018
		KD	KD
Assets			
Cash and bank balances	8	4,338,781	2,266,845
Financial assets at fair value through profit or loss	9	979,557	133,866
Accounts receivable and other debit balances	10	11,948,852	3,341,706
Due from a related party	11	316	22,226
Financial assets at fair value through other comprehensive income	12	41,400	52,568
Investment properties	13	10,044,359	26,494,415
Investment in an associate	14	434,369	253,425
Property, plant and equipment	15	28,111	331,997
Intangible assets		-	488,720
Total assets		27,815,745	33,385,768
Liabilities and equity			
Liabilities			
Wakala payables	16	-	4,091,766
Ijara payable	17	-	2,325,673
Accounts payable and other credit balances	18	2,409,933	2,683,457
Due to a related party	11	341,776	343,510
Employees' end of service indemnity		367,219	708,277
Total liabilities		3,118,928	10,152,683
Equity			
Share capital	19	21,386,865	21,386,865
Statutory reserve	20	127,140	-
Share premium		4,990,296	4,990,296
Treasury shares	22	(4,573,296)	(4,573,296)
Change of fair value reserve for financial assets at fair value through other comprehensive income		(4,600)	962
Foreign currency translation reserve		(61,086)	(108,471)
Other reserve		(122,147)	(122,147)
Proposed dividends	29	1,035,118	-
Retained earnings/(accumulated losses)		50,633	(173,396)
Total equity attributable to shareholders of the Parent Company		22,828,923	21,400,813
Non-controlling interests		1,867,894	1,832,272
Total equity		24,696,817	23,233,085
Total liabilities & equity		27,815,745	33,385,768

The accompanying notes on pages 9 to 48 form an integral part of these consolidated financial statements.

Hamad Saleh Hamad Al Thekeir
Vice Chairman

Al Madar Finance and Investment Company K.S.C. (Public) and its Subsidiaries
State of Kuwait

Consolidated Statement of Income
For the year ended 31 December 2019

	Note	2019 KD	2018 KD
Revenues			
Rental income	25	864,847	1,158,083
Net sales (loss) / profit		(139,835)	391,881
Investment services revenues		36,070	22,301
Murabaha revenues		-	340,779
Realized profit on sale of investment in an associate		-	429,773
Realized (losses) / profits on sale of investment properties	13	(304,834)	1,954,774
Realized (losses) / profits on sale of investments at fair value through profit or loss		(42,091)	500
Change in fair value of investments at fair value through profit or loss		(79,153)	(12,324)
Cash dividends		20,288	652
Provision no longer required of finance transactions	10	-	2,670,915
Provision no longer required for expected credit losses	10	563,968	-
Realized profit from settlement of wakala payables	16	114,020	8,497,026
Change in fair value of investment properties	13	(204,408)	628,674
Group's share in business results of an associate		59,604	4,638
Other income	26	2,059,620	2,852,067
Total income		2,948,096	18,939,739
Expenses and other charges			
General and administrative expenses	23	1,718,939	2,588,280
Provision for expected credit losses	10	143,748	69,292
Impairment of financial assets at fair value through profit or loss	9	41,147	-
Finance costs		141,416	143,127
Total expenses and other charges		2,045,250	2,800,699
Net profit for the year from continuing operations before National Labour Support Tax (NLST), Zakat, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Directors' remuneration		902,846	16,139,040
NLST		(13,188)	(291,352)
Zakat		(6,868)	(117,815)
Contribution to Kuwait Foundation for the Advancement of Sciences		(13,456)	-
Board of directors' remuneration		(25,000)	-
Net profit for the year		844,334	15,729,873
Discontinued operations			
Profit / (loss) for the year from discontinued operations		592,359	(784,639)
Net profit for the year		1,436,693	14,945,234
Attributable to:			
The Parent Company's shareholders		1,386,287	14,876,767
Non-controlling interests		50,406	68,467
Profit for the year		1,436,693	14,945,234
Basic and diluted earnings per share for the year from the continuing and discontinued operations attributable to the shareholders of the Parent Company (fils)	24	6.70	71.86
Basic and diluted earnings per share for the year from the continued operations attributable to the shareholders of the Parent Company (fils)	24	3.83	75.65
Basic and diluted earnings / (loss) per share for the year from the discontinued operations attributable to the shareholders of the Parent Company (fils)	24	2.86	(3.79)

The accompanying notes on pages 9 to 48 form an integral part of these consolidated financial statements.

Consolidated statement of income and other comprehensive income
For the year ended 31 December 2019

	2019 KD	2018 KD
Net profit for the year	1,436,693	14,945,234
Other comprehensive income items:		
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Foreign currency translation reserve	47,385	(13,407)
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Change in fair value of investments at fair value through other comprehensive income	(5,562)	608
Total other comprehensive income / (loss)	41,823	(12,799)
Total comprehensive income for the year	1,478,516	14,932,435
Attributable to:		
The Parent Company's shareholders	1,428,110	14,863,915
Non-controlling interests	50,406	68,520
	1,478,516	14,932,435

The accompanying notes on pages 9 to 48 form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company K.S.C. (Public) and its Subsidiaries
State of Kuwait

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

	Share capital KD	Statutory reserve KD	Share premium KD	Treasury shares KD	Change of fair value reserve for financial assets at fair value through other comprehensive income KD	Foreign currency translation reserve KD	Other reserve KD	Proposed dividends KD	(Accumulated losses) / retained earnings KD	Total equity attributable to shareholders of the Parent Company KD	Non-controlling interests KD	Total equity KD
Balance at 1 January 2018	21,386,865	-	4,990,296	(4,573,296)	1,116	(95,064)	(122,147)	-	(14,723,982)	6,863,788	1,788,959	8,652,747
Impact of adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	-	-	-	(326,890)	(326,890)	(25,207)	(352,097)
Balance at 1 January 2018 "Restated"	21,386,865	-	4,990,296	(4,573,296)	1,116	(95,064)	(122,147)	-	(15,050,872)	6,536,898	1,763,752	8,300,650
Net profit for the year	-	-	-	-	-	-	-	-	14,876,767	14,876,767	68,467	14,945,234
Other comprehensive income / (loss)	-	-	-	-	555	(13,407)	-	-	-	(12,852)	53	(12,799)
Total comprehensive income / (loss) for the year	-	-	-	-	555	(13,407)	-	-	14,876,767	14,863,915	68,520	14,932,435
Impact on disposal of investments at fair value through other comprehensive income	-	-	-	-	(709)	-	-	-	709	-	-	-
Balance at 31 December 2018	21,386,865	-	4,990,296	(4,573,296)	962	(108,471)	(122,147)	-	(173,396)	21,400,813	1,832,272	23,233,085
Balance at 1 January 2019	21,386,865	-	4,990,296	(4,573,296)	962	(108,471)	(122,147)	-	(173,396)	21,400,813	1,832,272	23,233,085
Net profit for the year	-	-	-	-	-	-	-	-	1,386,287	1,386,287	50,406	1,436,693
Comprehensive (loss) / income for the year	-	-	-	-	(5,562)	47,385	-	-	-	41,823	-	41,823
Total comprehensive (loss) / income for the year	-	-	-	-	(5,562)	47,385	-	-	1,386,287	1,428,110	50,406	1,478,516
Transfer to reserves	-	127,140	-	-	-	-	-	-	(127,140)	-	-	-
Proposed dividends (Note 29)	-	-	-	-	-	-	-	1,035,118	(1,035,118)	-	-	-
Effect of disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,784)	(14,784)
Balance at 31 December 2019	21,386,865	127,140	4,990,296	(4,573,296)	(4,600)	(61,086)	(122,147)	1,035,118	50,633	22,828,923	1,867,894	24,696,817

The accompanying notes on pages 9 to 48 form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company K.S.C. (Public) and its Subsidiaries
State of Kuwait

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	Note	2019	2018
		KD	KD
Cash flows generated from operating activities			
Net profit for the year		1,436,693	14,945,234
Adjustment for:			
Depreciation and amortization		60,883	359,424
Finance costs		141,416	143,127
Change in fair value of financial assets at fair value through of profit or loss		79,153	12,324
Realized losses / (profits) on sale of financial assets at fair value through statement of profit or loss	9	42,091	(500)
Realized losses / (profits) on disposal of investment properties	13	304,834	(1,954,774)
Cash dividends		(20,288)	(652)
Change in fair value of investment property	13	204,408	(628,674)
Profits on disposal of investment in subsidiaries	5.1	(240,799)	-
Provision for expected credit losses	10	143,748	97,715
Provision no longer required for expected credit losses	10	(563,968)	-
Provision no longer required of finance transactions	10	-	(2,670,915)
Debts settlement loss		-	(112,971)
Group's share in business results of an associate		(59,604)	(4,638)
Realized profit from settlement of wakala payables	16	(114,020)	(8,384,055)
Impairment of financial assets at fair value through profit or loss		41,147	
Realised profit on sale of investment in an associate		-	(429,773)
Losses from sale of property, plant and equipment		-	634,802
Loss on transfer of property, plant and equipment to investment property		-	2,878
Foreign currency valuation differences		-	(6,888)
Provision no longer required - for employees' end of service indemnity		-	(428,248)
Provision for employees' end of service indemnity		143,443	154,775
Profit before calculating effect of change in working capital items		1,599,137	1,728,191
Financial assets at fair value through profit or loss		(1,010,682)	-
Accounts receivable and other debit balances		778,084	(349,586)
Due from/to related parties - net		18,054	24,159
Accounts payable and other credit balances		(114,241)	(222,386)
Due to related parties		-	10,244
Cash generated from operations		1,270,352	1,190,622
Staff indemnity paid		(308,037)	(221,466)
Net cash generated from operating activities		962,315	969,156
Cash flows from investing activities			
Proceed from sale of financial assets at fair value through other comprehensive income		-	3,736
Paid for purchase of investment properties		(3,885,000)	(15,119)
Cash dividend received		-	652
Proceeds from disposal of subsidiaries		240,000	-
Proceeds from sale of investment properties		11,599,716	1,168,355
Proceeds from sale of financial assets at fair value through profit or loss		-	2,501
Paid for purchase of property, plant and equipment	15	(5,286)	(25,678)
Proceeds from sale of property, plant and equipment		-	58,969
Paid for purchase of investment in an associate	14	(87,083)	-
Dividends received from an associate	14	13,277	12,846
Net cash generated from investing activities		7,875,624	1,206,262
Cash flows from financing activities			
Net movement in Ijara payables		(2,325,673)	(252,806)
Net movement in wakala receivables		(3,977,746)	(473,199)
paid for Finance costs		(141,416)	(143,127)
Effect of change in non-controlling interests		12,192	-
Net cash used in financing activities		(6,432,643)	(869,132)
Net increase in bank balances and cash		2,405,296	1,306,286
Decrease in cash and cash equivalents from sale of subsidiaries	5.1	(333,360)	-
Cash and bank balances at the beginning of the year		2,266,845	960,559
Cash and bank balances at the end of the year	8	4,338,781	2,266,845

The accompanying notes on pages 9 to 48 form an integral part of these consolidated financial statements.

1. General Information

Al Madar Finance and Investment Company K.S.C. (Public) ("the Parent Company") was incorporated on 23 November 1998. The Parent Company is registered with the Central Bank of Kuwait and Capital Markets Authority as an investment company. It is listed in Boursa Kuwait on 20 June 2005.

The Parent Company is principally engaged in the following activities in compliance with the Islamic Sharia as follows:

- Promoting and marketing shares and bonds of all types for the favor of the Company according to Islamic Shari'a.
- Investment in all types of movables whether for its own favor or for others by way of agency or brokerage except for the Company's trading in commodities for its favor.
- Lending, borrowing and financing international trading transactions as well as issue and exchange of Islamic bonds of all kinds and forms for its clients.
- Portfolio management as per relevant laws and according to Islamic Shari'a.
- Purchase, lease, acquisition, rent, licensing of all kinds of investment equipment and subsequent sale or disposal thereof.
- Carry out real estate investments for the Parent Company's account or for third parties.
- Providing research and studies and other technical services related to investment and employing funds for others.
- Establishing and managing investment funds as per relevant laws and regulations and after approval of concerned parties.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside the State of Kuwait or abroad. It may also incorporate, purchase or affiliate such entities.

The Parent Company is domiciled in Kuwait and its registered office is P.O. Box 1376, Safat 13014, Kuwait.

The Parent Company is subsidiary to Al Thekair General Trading and Contracting Company W.L.L. ("the Ultimate Parent Company").

The consolidated financial statements of Al Madar Finance and Investment Company K.S.C. (Public) and its subsidiaries ("the Group") for the year ended 31 December 2019 were authorized for issue by the Parent Company's Board of Directors on 19 February 2020. They are subject to approval of the shareholders' annual general assembly. The Shareholders' of the Parent Company have the power to amend these consolidated financial statements at the Shareholders' Annual General Assembly.

2. Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention except for investment properties and financial assets at fair value through other comprehensive income that are measured at fair value.

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

3. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS interpretations Committee applicable to companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies Law.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. Significant accounting judgments and key sources of estimation uncertainty made in preparing the consolidated financial statements and their effect are disclosed in Note 6.

4. Application of new and revised International Financial Reporting Standards ("IFRSs")

a) New standards, interpretations and amendments effective from 1 January 2019

The accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous year ended 31 December 2018 except for the changes due to implementation some of the new and amended International Financial Reporting Standards as at 1 January 2019, which did not result in a material impact on the Group's consolidated financial statements for the financial year ended 31 December 2019 as follows:

IFRS No. (16) - Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 27 Operating Leases- Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases, according to a single approach, under items of the consolidated statement of financial position.

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

Upon adoption of IFRS 16 on 1 January 2019, the Group applied a single recognition and measurement approach using the modified retrospective approach for all leases where the Group is the lessee. Accordingly, the comparative information is not restated. The cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases according to IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for leases that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and leases for which the underlying asset is of low value ("low-value assets").

Impact on Lessee Accounting

Former operating leases
IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were not included in the consolidated financial position items. Applying IFRS 16, for all leases (except as noted below), the Group:
- Recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;

4. Application of new and revised international financial reporting standards (IFRSs) (Continued)

a) New standards, interpretations and amendments effective from 1 January 2019 (Continued)

IFRS No. (16) - Leases (Continued)

Impact on Lessee Accounting (Continued)

Former operating leases (continued)

- Recognizes depreciation of right-of-use assets and interests on lease liabilities in the consolidated statement of profit or loss; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of assets. This replaces the previous requirement to recognize a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-vàlue assets, the Group has elected to recognize a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented under general and administrative expenses item in the consolidated statement of profit or loss.

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Group recognizes as part of lease liabilities only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Group's consolidated financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. The lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 changed and increased disclosures.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use assets arising from the head lease (and not by reference to the underlying assets as was the case under IAS 17).

Financial impact of application of IFRS 16

There is no material impact on assets, liabilities, profit or loss, and the equity as a result of application of IFRS 16. This is because the Group's leases are short-term leases and do not contain purchase option and low-value leases.

Amendments to IFRS 9: Benefits of advance payment with negative compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from 1 January 2019.

These amendments do not have material impact on the Group's consolidated financial statements.

4. Application of new and revised international financial reporting standards (IFRSs) (Continued)

a) New standards, interpretations and amendments effective from 1 January 2019 (Continued)

Amendments to IAS No. (28): Long-term Investments in Associates and Joint Ventures
The amendments clarify that the Group applies IFRS 9 to long-term investments in the associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term investments). This classification is relevant because it implies that ECL model in IFRS 9 applies to such long-term investments.

The amendments also clarified that, in applying IFRS 9, the Group does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28: Investments in Associates and Joint Ventures.

These amendments do not have material impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle (issued on December 2017)

IFRS 3 - Business combinations
The amendments apply to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2019. The amendments clarify that when control over joint operation is occurred, they represent application of requirements of business combination in stages, including measuring previously held investments in assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its previously held interest in the joint operations.

These amendments to the standard do not have material impact on the consolidated financial statements.

IFRS 11 - Joint arrangements
The Group applies these amendments to transactions in which it obtains joint control on or after the first annual reporting period beginning on or after 1 January 2019. The amendments state that a party that participates in, but does not have joint control, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments state that the previously held interests in that joint operation are not re-measured.

These amendments to the standard do not have any material impact on the consolidated financial statements.

IAS 23 - Borrowing Costs
The amendments clarify that the Group treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The Group applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the Group first applies those amendments on or after 1 January 2019.

These amendments to the standard do not have any material impact on the consolidated financial statements.

b) Standards and interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been early applied by the Group:

4. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and interpretations issued but not effective (Continued)

IFRS 17: Insurance Contracts
This standard will be effective for annual periods beginning on or after 1 January 2021 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

Early application is permitted, provided the Group also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

These standards are not expected to have any material impact on the consolidated financial statements.

Amendments to IFRS 3: Definition of a Business
The amendments in definition of a business (Amendments to IFRS 3) are changes to Appendix A, Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- 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.
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The above-mentioned amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual financial period beginning on or after 1 January 2020

These standards are not expected to have any material impact on the consolidated financial statements.

Amendments to IAS 1 and IAS 8: Definition of Material
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- That the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the consolidated financial statements as a whole, and
- The meaning of "primary users of general purpose financial statements" to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

These amendments become effective for annual periods beginning on or after 1 January 2020.

This amendment is not expected to have any material impact to the Group.

4. Application of new and revised international financial reporting standards (IFRSs) (Continued)

b) Standards and interpretations issued but not effective (Continued)

Revised Conceptual Framework for Financial Reporting
The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
- Increasing the prominence of stewardship in the objective of financial reporting.
- Reinstating prudence as a component of neutrality.
- Defining a reporting entity which may be a legal entity or a portion of an entity.
- Revising the definitions of an asset and a liability.
- Removing the probability threshold for recognition and adding guidance on derecognition.
- Adding guidance on different measurement basis, and
- Stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

5. Summary of significant accounting policies

5.1. Basis of consolidation

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

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:
- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements.
- Historic patterns in voting attendance.

The Parent Company revaluates whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

5. Summary of significant accounting policies (Continued)

5.1. Basis of consolidation (Continued)

Subsidiaries (continued)

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

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

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

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

When the Parent Company loses control of a subsidiary, a gain or loss is recognised in the statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in the statement of other comprehensive income in relation to that subsidiary are accounted for as if the Parent Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

Company's name	Country of Incorporation	Activity	Shareholding 31 December 2019	Shareholding 31 December 2018
Dar Al-Thuraya Real Estate Co. K.S.C. (Public)	State of Kuwait	Real estate	88.35%	88.35%
Fiduciary International For Programming and Printing Software Company W.L.L.	State of Kuwait	Programming and operating computer, printing and distribution of software and computers	-	99%
Al Madar Real Estate Development Company K.S.C. (Closed)	State of Kuwait	Real estate	98.5%	98.5%
Althuraya for Warehousing & Cold Storage K.S.C. (Closed)	State of Kuwait	Warehousing	96%	96%

5. Summary of significant accounting policies (Continued)

5.1. Basis of consolidation (Continued)

Subsidiaries (continued)

During the year ended 31 December 2019, the Group has disposed its interest of 99% in its subsidiary "Fiduciary International for Programming and Printing Software Company W.L.L." of KD 240,000, which resulted in a loss of KD 105,904 recorded in the consolidated statement of income.

The consolidated financial statements of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) and its subsidiaries include the following:

Company	Country of incorporation	Activity	Shareholding 31 December 2019	Shareholding 31 December 2018
Althuraya Star Co. W.L.L.	State of Kuwait	General Trading and Contracting	99%	99%
Kuwait Building Real Estate Company K.S.C. (Closed)	State of Kuwait	Real estate	96%	96%
Pack & Move Holding - K.S.C. (Closed)	State of Kuwait	Holding	-	99.88%
Golden Madar Real Estate Company W.L.L.	State of Kuwait	Real estate	98%	98%

During the year ended 31 December 2019, based on shares sales contract, the Group disposed the interest of Dar Al-Thuraya Real Estate Co. K.S.C. of 99.88% in its subsidiary "Pack & Move Holding Company K.S.C (Closed)" of KD 7,000,000, which resulted in a profit of KD 346,703. We are in process of transferring shares subsequently.

a) Below are the details of the carrying amount of the subsidiaries at the date of disposal:

	KD
Assets	
Property, plant and equipment	272,036
Right of use	150
Intangible assets	464,973
Investment properties	5,595,000
Financial assets at fair value through other comprehensive income	1
Inventories	280,532
Trade and other receivables	395,662
Financial assets at fair value through profit or loss	2,600
Due from a related party	2,122
Cash and bank balances	333,360
Liabilities	
Employees' end of service benefits	(176,464)
Trade payables and other credit balances	(159,283)
Net identifiable assets	7,010,689
The Parent Company's share in the subsidiaries	6,999,201
Disposal consideration	7,240,000
Gain on sale of subsidiaries	240,799

5. Summary of significant accounting policies (Continued)

5.1. Basis of consolidation (Continued)

b) Below is a summary of business results related to the discontinued operations:

	2019	2018
	KD	KD
Revenues	1,183,708	1,845,743
Expenses	(831,726)	(2,631,464)
Profit / (loss) from discontinued operations	351,982	(785,721)
Group's share of discontinued operations profit/ (loss)	351,560	(784,639)
Gain on sale of subsidiaries	240,799	-
	592,359	(784,639)

c) Net cash flows related to discontinued operations as follows:

	2019	2018
	KD	KD
Net cash flows generated from / (used in) operating activities	86,675	(49,182)
Net cash flows from investing activities	-	26,147
Net cash flows used in financing activities	(10,427)	(10,200)
Net cash inflows / (outflows)	76,248	(33,235)

5.2. Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

5. Summary of significant accounting policies (Continued)

5.2. Business combinations (Continued)

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

5.3. Financial instruments

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

The financial assets and liabilities recognised in the consolidated statement of financial position include financial assets at fair value through other comprehensive income, cash and bank balances, financial assets at fair value through profit or loss, accounts receivable and other debit balances, due from a related party, financial assets at fair value through other comprehensive income, Wakala payables, accounts payable and other credit balances, and due to a related party.

Financial assets:

Recognition, initial measurement and derecognition
To determine the classification and measurement category of financial assets, IFRS requires assessment of all financial assets, except for equity instruments and derivatives, based on the Group's business model for managing the Group's assets and the contractual cash flows characteristics of these instruments.

The Group determines its business model at the level that best reflects how it manages its financial assets to achieve its business objectives and in order to generate contractual cash flows. Whether the Group's sole objective is to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of sell business model and measured at fair value through profit or loss. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of the financial assets are recognized on the trade date i.e. the date on which the Group commits to purchase or sell the asset. The financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss.

Purchases and sales of those financial assets are recognised on the trade date i.e. the date on which the Group commits to purchase or sell the assets. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

The financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the Group transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Group transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. When the Group retains control, it must continue to recognize the financial assets to the extent of its participation therein.

5. Summary of significant accounting policies (Continued)

5.3 Financial instruments (continued)

Financial assets: (continued)

Classification of financial assets
Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:
- Financial assets at amortised cost.
- Debt instruments at fair value through other comprehensive income.
- Equity instruments at fair value through other comprehensive income.
- Equity instruments at Fair value through profit or loss.

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

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

Equity instruments at fair value through other comprehensive income (continued)
Profits and losses on these equity instruments are never recycled to the consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

Financial assets at fair value through other comprehensive income represent equity instrument investments.

Financial Assets at fair value through profit or loss
The Fund classifies the financial assets as held for trading primarily when purchased or issued in order to achieve short-term profits through trading activities or when they form a part of a financial instruments portfolio that are managed together, there is an evidence for emerging a new pattern to achieve short-term profits. Assets held for trading are recognized and measured at fair value in the consolidated statement of financial position.

Profits or losses on the change in fair value, profits or losses on sale and dividends are recognized in the statement of income and other comprehensive income under the contract conditions or when the right to receive the profits amount is established.

Financial assets at amortised cost
A financial asset is measured at amortised cost if both of the following conditions are met and is not designated at fair value through profit or loss:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

5. Summary of significant accounting policies (Continued)

5.3 Financial instruments (continued)

Financial assets: (continued)

Financial assets at amortised cost
Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Profits and losses are recognized in the statement of profit or loss when the asset is derecognised, adjusted or impaired.

The financial assets at amortized cost include bank balances, accounts receivable and other debit balances, cash and due from a related party designated as financial assets at amortised cost.

Trade receivables and other debit balances
Trade receivables are amounts due from customers for sale of goods or leasing units or rendering services in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivables which are not designated under any of the above are classified as "other assets".

Cash and bank balances
The item includes cash on hand and bank accounts with banks that are exposed to insignificant risks in terms of changes in the value.

Effective yield rate method
The effective return rate is a method of calculating the amortized cost of a financial asset and of allocating return over the relevant period. The effective yield is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Impairment of Financial Assets
For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the customers and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Derecognition of financial assets
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

5. Summary of significant accounting policies (Continued)

5.3 Financial instruments (continued)

Financial liabilities

All financial liabilities are initially recognized at fair value and in case of loans, borrowings and creditors directly attributable transactions costs are discounted. All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost using the effective interest rate method.

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, within the scope of IAS 9, as financial liabilities at fair value through statement of income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognised at fair value, and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include due to a related party, Ijara payables and other credit balances.

Subsequent Measurement

Ijara payable
Ijara payables represent the amount payable on a deferred settlement basis for items financed by others in accordance with agreements of Ijara contracts. Ijara payables balance is stated at total of the amount payable, net of finance costs related to the future periods. Future finance costs are amortized when matured on a time proportion basis using the effective interest method.

Other credit balances
Other credit balances are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective yield method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Derecognition of financial liabilities
A financial liability is derecognized 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. 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 recognized in the consolidated statement of profit or loss.

5.4 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment properties also include property that is being constructed or developed for future use as investment properties.

Investment properties are measured initially at its cost, including related transaction costs and borrowing costs, where required.

5. Summary of significant accounting policies (Continued)

5.4 Investment properties (continued)

Subsequent to initial recognition, investment properties are remeasured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are included in the consolidated statement of income. Investment properties are derecognised when they have been disposed.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Profits or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of income.

5.5 Properties under development

Incurred costs are charged to construction or production of capital assets under properties under development till construction or production of these assets is complete, at which time they are reclassified as plant and equipment, investment property, or trading properties. Costs include all direct costs and other costs attributable on reasonable basis.

5.6 Investments in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investees but is not control or joint control over those policies.

The Group's investment in associates is accounted for under the equity method of accounting, i.e. on the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in value and the consolidated statement of income reflects the Group's share of the results of operations of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associates are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associates arising from changes resulting from statement of other comprehensive income of the associate or other items recognised directly in the associates' or Group's equities, as applicable.

5. Summary of significant accounting policies (Continued)

5.6 Investment in associates (continued)

When the Group's share of losses in associates equals or exceeds its interest in the associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions with associates are eliminated to the extent of the Group's share in the associates. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associates' financial statements are prepared either on the Parent Company's reporting date or on an earlier date no later than three months of the Group's consolidated financial statements date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Group's consolidated financial statements date.

5.7 Property, plant and equipment

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

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Utilization right is stated at cost less impairment losses, if any.

Works in progress for purposes of production or administrative usage are recorded at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs that are capitalized at assets fulfilling conditions of capitalization of borrowing costs as per the accounting policy of the Group. Such properties are classified within appropriate categories of items of properties, plant and equipment when completed as deemed as ready for use. Depreciation of such assets starts when they are ready for use in the intended purpose, in the same way as other items of property, plant and equipment.

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

5. Summary of significant accounting policies (Continued)

5.7 Property, plant and equipment (continued)

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The useful lives of intangible assets are assessed to be either finite or indefinite.

5.8 Intangible assets

Finite
Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Indefinite
Intangible assets with indefinite useful lives are not amortized. They are tested for impairment annually, either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable, otherwise, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The Group has assessed the useful lives of intangible assets which represent right of use to be indefinite.

The Group has assessed the useful lives of intangible assets which represent key money to be 20 years.

5.9 Impairment of non-financial assets

At each consolidated financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

5. Summary of significant accounting policies (Continued)

5.9 Impairment of non-financial assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

5.10 Offset of financial instruments

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

5.11 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognised in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized 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 reserves.

Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and treasury shares reserve. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.12 Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5.13 Employees' end of service indemnity

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. 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 consolidated statement of financial position date.

5. Summary of significant accounting policies (Continued)

5.14 Contingent assets and liabilities

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

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

5.15 Revenue recognition

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

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

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Under IFRS 15, 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 shall transfer control of goods or services over a period of time (and not at a specific time) upon fulfillment of any of the following criteria:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not establish an asset that has an alternative usage to the Entity. The Entity has enforceable right in payments against the completed performance to date.

Group's revenue streams are recognised as follows:

Services income
Revenue from services is recognized as the services are performed and completed for clients.

Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental income
Rental income is recognised on a straight line basis in accordance with the substance of the relevant agreements.

Dividend income
Dividend income is recognised when the right to receive payments is established.

5. Summary of significant accounting policies (Continued)

5.16 Foreign exchange translation

Functional and presentation currency
The consolidated financial statements have been presented in Kuwaiti Dinars (KD) which is also the functional currency of the Group. Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

Transactions and balances
Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the consolidated statement of income. Non-monetary items are not retranslated at the period-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.

Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except for companies which are operated in countries with very high inflation rates) are translated into the presentation currency as follows:
- Assets and liabilities for each reporting date presented are translated at the closing rate at the consolidated financial statements date.
- Income and expenses for each statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of the consolidated statement of other comprehensive income.

5.17 Finance costs

Finance costs on borrowings and facilities are calculated on the accrual basis and are recognized in the consolidated statement of income in the period in which they are incurred.

Finance costs directly attributable to the acquisition, construction or production of qualifying assets as part of the cost of this asset are capitalized. Capitalization of these costs commences when expenses on the asset and finance costs are incurred, and the activities necessary to prepare the asset are under implementation. Capitalization shall be ceased upon the significant completion of all the activities necessary to prepare the qualifying asset for its intended use or sale.

Finance costs that are not directly attributable to the acquisition, construction or production of qualifying asset as expense are recognized during the period in which they are incurred.

5.18 Taxation

KFAS and Zakat
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat represent levies/taxes imposed on the Parent Company at fixed percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for financial statements purposes.

5. Summary of significant accounting policies (Continued)

5.18 Taxation (continued)

Tax/statutory levy	*Percentage*
Contribution to Kuwait Foundation for the Advancement of Sciences	1% of net profit, less permitted deductions.
Zakat	1% of net profit, less permitted deductions.

5.19 NLST

The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to shareholders of the Parent Company, less permitted deductions.

5.20 Leases

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

The Group as lessor
Rental income from operating leases is recognised on a straight-line basis over the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee
Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

6. Significant accounting judgments of estimation uncertainty

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimations and assumptions are based on the management's pervious experiences and other relevant factors. Actual results may vary from these estimations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recorded in the periods in which the review and adjustment of the estimates are made if the adjustment related to this particular period. Adjustments are recorded in the review period and future periods if these adjustments to estimates will impact the current period and future financial periods.

Significant accounting 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:

Useful lives of tangible assets
The Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

6. Significant accounting judgments of estimation uncertainty (Continued)

Significant accounting judgments (continued)

Classification of properties
The Group decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment properties.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for indefinite future use.

The Group classifies properties as property, plant and equipment if they are purchased to be used in production, services, renting for others or for administrative purposes, and are expected to be used during more than one period.

Useful lives of tangible assets
The Group reviews the estimated useful lives over which its tangible assets are amortized. The Group's management is satisfied that the estimates of useful lives are appropriate.

Classification of financial instruments
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets as stated in Note No. 5.

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

ECLs provision on trade receivables and other debit balances
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

6. Significant accounting judgments of estimation uncertainty (Continued)

Key sources of estimation uncertainty (continued)

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

Impairment of investments in 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 associated companies, 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 recognises the amount in "share of gain in associate" in the consolidated statement of income.

Valuation of investment properties
The Group records investment property at fair value where changes in the fair value are recognized in the consolidated statement of income, three basic methods are used for determining the fair value of the investment property:

a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.
b) Income capitalization: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalization rate.
c) Comparative analysis: which base on estimations made by an independent real estate assessor by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate assessor.

Impairment of non-financial assets
The Group reviews tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

7. Non-controlling interests

Statements of the subsidiary holding non-controlling interests in a material ratio of the Group are as follows:

Name of the subsidiary	Country of incorporation	Voting rights and equity interest %		Carrying amount of non-controlling interests in the subsidiary	
		2019	2018	2019	2018
Dar Al-Thuraya Real Estate Company K.S.C. (Public) ("Dar Al-Thuraya")	State of Kuwait	11.65%	11.65%	1,796,983	1,734,729

7. Non-controlling interests (Conitnued)

Summarized financial statements of the subsidiary ("Dar Al-Thuraya") holding non-controlling interests in a material ratio of the Group before disposal of intra-company transactions:

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)

Summarised consolidated statement of financial position:	**2019** KD	**2018** KD
Assets		
Current assets	11,291,557	3,071,557
Non-current assets	4,287,321	20,079,753
Liabilities		
Current liabilities	129,101	2,058,878
Non-current liabilities	25,034	6,202,051
Equity attributable to the shareholders of Dar Al-Thuraya	15,424,743	14,890,381
Voting rights and equity interest of non-controlling interests in Dar Al-Thuraya	11.65%	11.65%
Carrying value of non-controlling interests	1,796,983	1,734,729

Summarised statement of consolidated profit or loss and other comprehensive income:

	2019 KD	**2018** KD
Revenues	1,270,873	3,579,676
Expenses	(718,159)	(2,772,097)
Profit for the year attributable to the shareholders of Dar Al-Thuraya	552,714	807,579
Other comprehensive income attributable to the shareholders of Dar Al-Thuraya	705	371
Total comprehensive income attributable to the shareholders of Dar Al-Thuraya	556,436	810,215
Loss related to non-controlling interests	(3,017)	(2,265)

Total non-controlling interests of other subsidiaries is immaterial for the Group.

Summarized consolidated statement of cash flows:

	2019 KD	**2018** KD
Net cash (used in) / generated from operating activities	(10,569,526)	596,709
Net cash generated from investing activities	11,295,000	1,273,189
Net cash used in financing activities	(1,896,120)	(310,718)
Net (decrease) / increase in cash and bank balances	(1,170,646)	1,559,180
Cash and bank balances at the beginning of the year	1,993,144	433,964
Decrease in cash and cash equivalents from sale of subsidiaries	(252,956)	-
Cash and bank balances at the end of the year	569,542	1,993,144

8. Cash and bank balances

	2019 KD	2018 KD
Bank balances	4,335,308	2,168,801
Cash on hand	3,473	98,044
	4,338,781	2,266,845

The annual average effective yield rate on the savings accounts as at 31 December 2019 was 0.75% (31 December 2018: 0.59%).

9. Financial assets at fair value through profit or loss

	2019 KD	2018 KD
Investment in quoted local shares	961,818	-
Investment in unquoted local shares	17,739	38,776
Investments in portfolio - local funds	-	41,147
Investments in portfolio – foreign funds	-	53,943
	979,557	133,866

During the year ended 31 December 2019, the Group sold financial assets at fair value through profit or loss, which resulted in loss of KD 42,091 recognized in the consolidated statement of income.

Financial assets at fair value through profit or loss include investments in local funds with book value of KD 41,147 as management decided to reduce its value for being liquidated.

Valuation techniques for investments at fair value through statement of income are disclosed in note 30.

10. Accounts receivable and other debit balances

	2019 KD	2018 KD
Trade receivables	1,783,252	1,783,252
Less: provision for ECLs	(1,749,649)	(1,749,649)
	33,603	33,603
Receivables from sale of financial and real estate investments and services (a)	2,665,140	1,639,929
Amount due from sale of a subsidiary (b)	7,000,000	-
Accrued rentals	83,387	13,682
Staff receivables	5,863	29,813
Prepaid expenses	1,264,894	140,860
Due from financial institutions	492,408	-
Other receivables	403,557	1,483,819
	11,948,852	3,341,706

a) It includes an amount of KD 2,626,000 that represents the amounts due from transaction of the Group when it sold some of its investment properties during the year ended 31 December 2019.

b) It represents amount due from sale of a subsidiary "Pack & Move Holding" during the year ended 31 December 2019 and subsequent to the reporting date, an amount of KD 280,000 was collected (Note 5.1).

10. Accounts receivable and other debit balances(Continued)

- Receivables from sale of financial and real estate investments and services item has been presented after deducting the expected credit loss provision of KD 54,888 as at 31 December 2019 (31 December 2018: KD 780,916).
- Accrued rentals item has been presented after deducting the expected credit loss provision of KD 764,444 as at 31 December 2019 representing provisions recorded in subsidiaries (31 December 2018: KD 776,404).
- Other receivables item has been presented after deducting the expected credit loss provision of KD 17,001 as at 31 December 2019 (31 December 2018: KD 516,843).

The maximum exposure to credit risks at reporting date is the fair value of each class of receivables. The Group holds guarantees of KD 33,603 for trade receivables as at 31 December 2019 (31 December 2018: KD 33,603).

Analysis of provision for expected credit loss during the year is as follows:

	2019	2018
	KD	KD
Balance at beginning of the year	3,823,812	6,044,915
Impact of transition to IFRS 9	-	352,097
Provision for expected credit losses	143,748	97,715
Provision no longer required for expected credit losses	(563,968)	-
Provision no longer required of finance transactions	-	(2,670,915)
Write off of provision	(385,304)	-
Related to disposal of subsidiaries	(432,306)	-
	2,585,982	3,823,812

11. Related party transactions

Related parties comprise of the Group's shareholders who are members of the Board of Directors, key management personnel, and subsidiaries in which the Parent Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December 2019. Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Balances due from/to related parties and related party transaction are as follows:

	2019	2018
	KD	KD
Consolidated statement of financial position:		
Due from a related party	316	22,226
Receivables from sale of financial, real estate investments and services	-	1,600,000
Due to a related party	341,776	343,510

	2019	2018
	KD	KD
Consolidated statement of income:		
Salaries and other short term benefits	216,518	157,993
End of service benefits	18,202	23,234
	234,720	181,227

12. Financial assets at fair value through other comprehensive income

	2019 KD	2018 KD
Investment in quoted local shares	2,314	2,696
Investment in unquoted local shares	2,892	13,678
Investment in unquoted foreign shares	36,194	36,194
	41,400	52,568

Financial assets at fair value through other comprehensive income include unquoted foreign shares at an actual cost of KD 3,698,839 (31 December 2018: KD 3,698,839) brought forward from 2009. Since these investments are the subject of a legal dispute, management decided to reduce the cost of these investments in full in the previous years until they are finally resolved.

Valuation techniques of the financial assets at fair value through other comprehensive income are disclosed in Note 30.

13. Investment properties

	2019 KD	2018 KD
Investment properties		
Balance at beginning of the year	23,142,848	17,611,217
Additions	3,885,000	-
Disposals	(13,928,000)	(2,900,737)
Transfer from properties under development	-	2,065,639
Transfers from property, plant and equipment	-	5,595,000
Change in fair value	(41,293)	753,228
Foreign currency translation differences	(2,951)	18,501
Impact of disposal of a subsidiary (Note 5.1)	(5,595,000)	-
Balance at end of the year	7,460,604	23,142,848
Properties under development		
Balance at beginning of the year	3,351,567	5,952,117
Additions	-	15,119
Disposals	(602,549)	(442,844)
Transfers to investment properties	-	(2,065,639)
Change in fair value	(163,115)	(124,554)
Foreign currency translation differences	(2,148)	17,368
Balance at end of the year	2,583,755	3,351,567
Balance at end of the year	10,044,359	26,494,415

During the year ended 31 December 2019, the Group sold investment properties at carrying amount of KD 14,530,549 in an amount of KD 14,225,715, which was resulted in loss of KD 304,834 recognized in the consolidated statement of income.

The fair value of the Group's investment property as at 31 December 2019 has been arrived at on the basis of a valuation carried out on the respective dates by two independent valuers, one of them is a local bank, not related to the Group and the management has adopted the lower valuation. The fair value was determined under level 2 based on the market comparable approach that reflects recent transaction priced for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

13. Investment properties (Continued)

An investment property was recognized based on the initial purchase contract and special power of attorney. Transfer of shares is in process during the subsequent period.

An investment property was recognized based on final title deed that is mortgaged to a local bank.

Valuation techniques of investment properties are disclosed in Note 30.

14. Investment in an associate

Details of investment in the associate are as follows:

Name of associate	Country of incorporation	Measurement method	Activity	Voting rights and equity interest % 2019	Voting rights and equity interest % 2018
Egyptian Saudi Company for Medical Equipment MASCOMED (S.A.E)	The Arab Republic of Egypt	Equity method	Medical devices and equipment	41.95%	30.26%

Name of Associate	2019 KD	2018 KD
Egyptian Saudi Company for Medical Equipment MASCOMED (S.A.E)	434,369	253,425

During the year ended 31 December 2019, the Group increased its interest in the associate by 11.69% through purchase of 584,519 interests of total amount KD 87,083. This increase did not result in any significant goodwill.

During the year, the associate "Egyptian Saudi Company for Medical Equipment (S.A.E.)" distributed cash dividends at 10% of the nominal value of the share (31 December 2018: 10%) in a total amount of KD 13,277 (31 December 2018: KD 12,846) in accordance with the Company's board of directors' decision.

15. Property, plant and equipment

	Right of utilization	Buildings	Containers	Vehicles	Equipment	Total
	KD	KD	KD	KD	KD	KD
Cost						
As at 1 January 2018	4,948,386	2,475,494	353,291	186,606	1,673,057	9,636,834
Additions	-	2,850	17,815	-	5,013	25,678
Disposals	-	(678,941)	-	(96,301)	(742,819)	(1,518,061)
Transferred to investment property	(4,948,236)	(1,729,095)	-	-	-	(6,677,331)
As at 31 December 2018	150	70,308	371,106	90,305	935,251	1,467,120
Additions	-	-	-	-	5,286	5,286
Related to disposals of subsidiaries (Note 5.1)	(150)	(70,308)	(371,106)	(90,305)	(206,585)	(738,454)
As at 31 December 2019	-	-	-	-	733,952	733,952
Accumulated depreciation						
As at 1 January 2018	699,231	960,833	148,839	104,689	963,884	2,877,476
Charged during the year	-	88,770	23,785	25,789	23,046	161,390
Disposals	-	(649,239)	-	(79,338)	(95,713)	(824,290)
Transferred to investment property	(699,231)	(380,222)	-	-	-	(1,079,453)
As at 31 December 2018	-	20,142	172,624	51,140	891,217	1,135,123
Charged during the year	-	3,200	15,203	4,200	14,533	37,136
Related to disposals of subsidiaries (Note 5.1)	-	(23,342)	(187,827)	(55,340)	(199,909)	(466,418)
As at 31 December 2019	-	-	-	-	705,841	705,841
Net carrying value						
As at 31 December 2019	-	-	-	-	28,111	28,111
As at 31 December 2018	150	50,166	198,482	39,165	44,034	331,997

During the year ended 31 December 2019, the Group disposed of balance of property, plant and equipment of the subsidiaries "Pack & Move Holding Company K.S.C. (Closed)" and "Fiduciary International For Programming and Printing Software Company W.L.L." with net book value of KD 272,036 (Note 5.1).

16. Wakala payables

	2019	2018
	KD	KD
Wakala payables	-	4,091,766

During the year ended 31 December 2019, the Group settled its debt with one of the payable parties on 23 May 2019, which was matured during the previous years. Such transaction is resulted in realized profit of KD 114,020 recognized in the consolidated statement of income under realized profit from settlement of wakala payables.

During the year ended 31 December 2019, the Group settled its debts with a creditor, which the Parent Company had been obliged to pay based on previous judicial verdict.

17. Ijara payable

	2019	2018
	KD	KD
Ijara payable	-	2,393,953
Future finance costs	-	(68,280)
	-	2,325,673

During the year ended 31 December 2019, the debt due to the bank was settled. Properties related to Ijara payable were sold to a third party (Note 13).

18. Accounts payable and other credit balances

	2019	2018
	KD	KD
Trade payables	8,293	46,549
Accrued expenses	145,524	400,058
Purchase of investment properties payable	45,000	-
Provision for employees leave	51,206	-
NLST	304,540	291,352
Zakat	124,683	117,815
Contribution to Kuwait Foundation for the Advancement of Sciences	13,456	-
Other payables	1,717,231	1,827,683
	2,409,933	2,683,457

19. Share capital

The Parent Company's authorized, issued, and fully paid up capital is KD 21,386,865 (2018: KD 21,386,865) divided into 213,868,650 shares (2018: 213,868,650 shares), each of 100 fils. All shares are cash shares.

20. Statutory reserve

In accordance with the requirements of Companies' law and the Parent company's articles of association, 10% of the net profit before contribution to Kuwait Foundation for the Advancement of Sciences, National labor support tax, Zakat and Board of Directors' remuneration is to be transferred to the statutory reserve. Such transfer may be discontinued when the reserve equals 50% of the share capital. Statutory reserve is not available for distribution except as stipulated by law.

21. Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the net profit for the year before contribution to Kuwait Foundation for the Advancement of Science, National labor support tax, Zakat and Board of Directors' remuneration is to be transferred to the voluntary reserve as suggested by the Board of Directors and shall be approved by the Shareholders General Assembly. There is no transfer to the reserve during the year as per the Board of Directors decision on 19 February 2020 issued to discontinue the transfer.

22. Treasury shares

	2019 KD	2018 KD
Number of shares purchased (share)	6,845,096	6,845,096
Ownership percentage (treasury shares percentage to total issued shares)	3.2%	3.2%
Cost (KD)	4,573,296	4,573,296
Market value – KD	610,583	1,143,131

The Parent Company is committed to keeping reserves and capital share premium equal to the purchased treasury shares cost which are non-distributable along acquisition period by the Parent Company in accordance with instructions of the concerned regulatory authorities. Treasury shares are retained for certain creditors.

23. General and administrative expenses

	2019 KD	2018 KD
Employee costs	752,613	1,210,281
Depreciation and amortization	1,706	20,000
Other	964,620	1,357,999
	1,718,939	2,588,280

24. Basic and diluted earnings / (loss) per share attributable to shareholders of the Parent Company

Basic and diluted earnings per share is computed by dividing net profit for the year attributable to the Parent Company's shareholders by the weighted average number of ordinary shares outstanding during the year.

	2019	2018
Profit for the year from continued and discontinued operations attributable to shareholders of the Parent Company (KD)	1,386,287	14,876,767
Profit for the year from continued operations attributable to shareholders of the Parent Company (KD)	793,928	15,661,406
Profit / (loss) for the year from the discontinued operations attributable to the shareholders of the Parent Company (KD)	592,359	(784,639)
Weighted average number of shares outstanding:		
Number of issued shares (share)	213,868,650	213,868,650
Less: Weighted average number of treasury shares (shares)	(6,845,096)	(6,845,096)
Weighted average number of outstanding shares	207,023,554	207,023,554
Basic and diluted earnings per share for the year from the continued and discontinued operations attributable to the shareholders of the Parent Company (fils)	6.70	71.86
Basic and diluted earnings per share for the year from the continued operations attributable to the shareholders of the Parent Company (fils)	3.83	75.65
Basic and diluted earnings / (loss) per share for the year from the discontinued operations attributable to the shareholders of the Parent Company (fils)	2.86	(3.79)

25. Revenues

	31 December 2019				
	Properties	Financial investments	Corporate finance	Other	Total
	KD	KD	KD	KD	KD
Rent	864,847	-	-	-	864,847
Services	-	36,070	-	-	36,070
Sales	-	-	-	420,600	420,600
Other income	-	79,892	-	4,162,090	4,241,982
	864,847	115,962	-	4,582,690	5,563,499
Geographical markets					
State of Kuwait	864,847	82,689	-	4,582,690	5,530,226
Outside the State of Kuwait	-	33,273	-	-	33,273
	864,847	115,962	-	4,582,690	5,563,499
Timing of revenue recognition					
Services rendered at a point in time	-	115,962	-	4,582,690	4,698,652
Services rendered over time	864,847	-	-	-	864,847
	864,847	115,962	-	4,582,690	5,563,499
Revenues					
Clients inside Kuwait	864,847	82,689	-	4,582,690	5,530,226
Clients outside Kuwait	-	33,273	-	-	33,273
	864,847	115,962	-	4,582,690	5,563,499

	31 December 2018				
	Properties	Financial investments	Corporate finance	Other	Total
	KD	KD	KD	KD	KD
Rent	1,158,083	-	-	-	1,158,083
Services	-	22,301	-	-	22,301
Sales	-	-	-	537,395	537,395
Other income	2,583,448	435,563	340,779	15,089,599	18,449,389
	3,741,531	457,864	340,779	15,626,994	20,167,168
Geographical markets					
State of Kuwait	1,787,286	453,226	340,779	15,626,994	18,208,285
Outside the State of Kuwait	1,954,245	4,638	-	-	1,958,883
	3,741,531	457,864	340,779	15,626,994	20,167,168
Timing of revenue recognition					
Services rendered at a point in time	2,583,448	457,864	340,779	15,626,994	19,009,085
Services rendered over time	1,158,083	-	-	-	1,158,083
	3,741,531	457,864	340,779	15,626,994	20,167,168
Revenues					
Clients inside Kuwait	1,954,245	453,226	340,779	15,626,994	18,375,244
Clients outside Kuwait	1,787,286	4,638	-	-	1,791,924
	3,741,531	457,864	340,779	15,626,994	20,167,168

26. Other income

Other income includes an amount of KD 2,005,129 resulted from debt collection from one of the clients, which was previously written-off.

27. Fiduciary assets

Fiduciary assets comprise of investments and funds managed on behalf of clients. These assets are not owned by the Parent Company, and accordingly they are not included in the consolidated financial statements. As at the consolidated financial position date, total fiduciary assets managed on behalf of clients amounted to KD 4,444,000 (31 December 2018: KD 4,072,000) including a portfolio managed on behalf of a related party of KD 1,254,324 as at 31 December 2019 (31 December 2018: KD 7,369).

28. Segment information

Operating segments are identified based on the internal reports of Group segments which are regularly reviewed by the Chairman and general manager as the principal decisions makers in the Group so as to allocate resources to and evaluate performance of these segments on an ongoing basis.

The operating segments that meet the conditions and criteria for reporting them in the consolidated financial statements and are used in the internal reports regularly submitted to decision makers are as follows:

a) Real estate:
This sector represents investing in investment properties to generate rental income, for capital appreciation, or for trading purposes.

b) Financial investments:
This sector represents investment in short term money market instruments, investment in shares of listed and unlisted companies whose articles of association and activities are in compliance with rules of the noble Islamic Shari`a.

c) Corporate finance:
Activity of this segment is to provide finance to companies by using the different Islamic financing instruments, i.e. Murabaha, Wakala, future sales and other contracts that are in compliance with rules of the noble Islamic Shari`a.

d) Other:
This includes the revenues and expenses that are not included under the above sectors.

Summarized information in respect of the Group's segment information is given below:

	Segment revenues		Segments profit	
	2019	2018	2019	2018
	KD	KD	KD	KD
Investment properties	864,847	3,741,531	355,604	3,741,531
Financial investments	115,962	457,864	(5,282)	445,540
Corporate finance	-	340,779	2,173,615	14,360,787
Other	4,582,690	15,626,994	863,558	(535,885)
	5,563,499	20,167,168	3,387,495	18,011,973
General and administrative expenses			(1,732,395)	(2,588,280)
Provision for expected credit losses			(143,748)	(69,292)
Decrease in financial assets at fair value through statement of profit or loss			(41,147)	-
NLST			(13,188)	(291,352)
Zakat			(6,868)	(117,815)
KFAS			(13,456)	-
Net profit for the year			1,436,693	14,945,234

28. Segment Information (Continued)

The assets and liabilities of the different operating segments are analysed as follows:

Segment assets	**2019**	**2018**
	KD	KD
Investment properties	15,045,359	28,134,344
Financial investments	8,455,326	439,859
Corporate finance	316	22,226
Other	4,314,744	4,789,339
Total segment assets	27,815,745	33,385,768

Segment liabilities	**2019**	**2018**
	KD	KD
Corporate finance	341,776	6,760,949
Other	2,777,152	3,391,734
Total segment liabilities	3,118,928	10,152,683

29. Shareholders general assembly

Board of directors proposed in its meeting held on 19 February 2020 distribution of dividends for the shareholders of KD 1,035,118 for the year ended 31 December 2019 and distribution of remuneration to the board members of KD 25,000 for the financial year ended 31 December 2019. This proposal is subject to approval of the shareholders' annual general assembly.

The annual general assembly meeting of the shareholders was held on 14 May 2019 and approved the consolidated financial statements of the Group for the financial year ended 31 December 2018. It also approved board of directors' recommendations not to distribute dividends for the financial year ended 31 December 2018 and not to distribute remuneration to the board members for the financial year ended 31 December 2018.

30. Financial instruments

The 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 as at the measurement date

Categories of financial instruments
The financial assets and liabilities of the Group have been classified in the consolidated statement of financial position as follows:

	Carried at fair value	**Carried at cost**	**Carried at amortised cost**	**Total**
	KD	KD	KD	KD
2019				
Financial assets:				
Cash and bank balances	-	-	4,338,781	4,338,781
Financial assets at fair value through profit or loss	979,557	-	-	979,557
Receivables and other debit balances (excluding prepaid expenses)	-	-	10,683,958	10,683,958
Due from a related party	-	-	316	316
Financial assets at fair value through other comprehensive income	41,400	-	-	41,400
	1,020,957	-	15,023,055	16,044,012
Financial liabilities:				
Accounts payable and other credit balances	-	-	2,409,933	2,409,933
Due to related parties	-	-	341,776	341,776
	-	-	2,751,709	2,751,709

30. Financial instruments (Continued)

Categories of financial instruments (Contininued)

	Carried at fair value	Carried at cost	Carried at amortised cost	Total
	KD	KD	KD	KD
2018				
Financial assets:				
Cash and bank balances	-	-	2,266,845	2,266,845
Financial assets at fair value through profit or loss	133,866	-	-	133,866
Receivables and other debit balances (excluding prepaid expenses)	-	-	3,200,846	3,200,846
Due from a related party	-	-	22,226	22,226
Financial assets at fair value through other comprehensive income	52,568	-	-	52,568
	186,434	-	5,489,917	5,676,351
Financial liabilities:				
Wakala payable	-	-	4,091,766	4,091,766
Ijara payable	-	-	2,325,673	2,325,673
Accounts payable and other credit balances	-	-	2,683,457	2,683,457
Due to related parties	-	-	343,510	343,510
	-	-	9,444,406	9,444,406

Financial and non-financial assets measured at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).
- Level 3: inputs are unobservable inputs for the asset or liability.

2019	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets:				
Financial assets at fair value through profit or loss	961,818	-	17,739	979,557
Financial assets at fair value through other comprehensive income	2,314	-	39,086	41,400
	964,132	-	56,825	1,020,957

2018	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets:				
Financial assets at fair value through profit or loss	-	18,317	115,549	133,866
Financial assets at fair value through other comprehensive income	2,696	8,677	41,195	52,568
	2,696	26,994	156,744	186,434

There have been no transfers between levels during the year.

30. Financial instruments (Continued)

Financial and non-financial assets measured at fair value (Continued)
The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

All other financial assets and financial liabilities carried at amortised cost approximate their fair values at the consolidated financial position date.

31. Financial risk management

The Group uses financial instruments that are exposed to variety of financial risks such as credit risk, liquidity risk and market risk.

The Group regularly reviews risks to which it is exposed and takes appropriate actions to mitigate these risks to an acceptable limit.

a) Credit risk

This represents the inability of one party to the financial instrument to meet its liabilities on maturity date, resulting into financial losses to the other party. Financial assets which potentially subject the Group to credit risk consist principally of cash and bank balances, accounts receivable and other debit balances and due from related party. The credit risk related to receivables and other debit balances is limited due to the variety of customers and distribution of credit on a large number of customers. For more details, see Note (10). Balance of receivables is presented net of provision for expected credit losses. Cash and cash equivalents are deposited with high credit quality financial institutions

<u>Trade receivables and other debit balances</u>
The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables and other debit balances as these items do not have a significant financing component. In measuring the ECLs, trade receivables and other debit balances have been assessed on a collective basis respectively and classified based on shared credit risk characteristics and the days past due.

The expected losses rates are based on the ageing customers over 3 years before 31 December 2019 and 1 January 2019 respectively and the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customers' ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the period of consolidated financial statements.

ECLs of trade receivables that were determined as stated below:

The Group calculated 100% as expected credit losses for all the receivables related to finance transactions as per CBK instructions.

31. Financial risk management (Continued)

a) Credit risk (Continued)

31 December 2019	**More than 365 days**	**Total**
ECLs rate (%)	100%	-
ECLs (KD)	1,749,649	1,749,649

31 December 2018	**More than 365 days**	**Total**
ECLs rate (%)	100%	-
ECLs (KD)	1,749,649	1,749,649

ECLs of accrued rentals that were determined as stated below:

31 December 2019	**Less than 90 days**	**91-180 days**	**181 – 365 days**	**More than 365 days**	**Total**
ECLs rate (%)	74%	81%	94%	100%	-
ECLs (KD)	5,557	5,095	7,276	746,516	764,444

31 December 2018	***Less than 90 days***	***91-180 days***	***181 – 365 days***	***More than 365 days***	***Total***
ECLs rate (%)	74%	81%	94%	100%	-
ECLs (KD)	10,123	6,853	24,760	734,668	776,404

Expected credit losses of other receivables that were determined are stated as below:

31 December 2019	**Less than 90 days**	**91-180 days**	**181 – 365 days**	**More than 365 days**	**Total**
ECLs rate (%)	8%	25%	40%	100%	-
ECLs (KD)	783	1,607	3,926	10,685	17,001

31 December 2018	**Less than 90 days**	**91-180 days**	**181 – 365 days**	**More than 365 days**	**Total**
ECLs rate (%)	8%	25%	40%	100%	-
ECLs (KD)	13,155	19,484	37,052	447,152	516,843

The ECLs rates are the weighted average of those rates calculated between the Group companies as at 1 January 2018 based on the aging of customers over 3 years prior to that date.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to make an alternative payment arrangement - amongst other - with the Group is considered an indicator of no reasonable expectation of recovery and therefore is considered as credit impaired.

Bank balances
The Group's banks balances measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's banks balances are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the ECLs impact is insignificant to the Group as the risk of default has not increased significantly since initial recognition.

31. Financial risk management (Continued)

a) Credit risk (Continued)

Bank balances (continued)
The maximum limit of the Group's exposure to credit risk arising from default of the counterparty is the nominal value of due from related party, trade receivables and other debit balances and cash at banks.

The Group considers that the most significant exposure to credit risk is as follows:

	2019	2018
	KD	KD
Cash at banks	4,335,308	2,168,801
Accounts receivable and other debit balances (excluding prepaid expenses)	10,683,958	3,200,846
Due from a related party	316	22,226
	15,019,582	5,391,873

Geographic concentration of maximum exposure to credit risk
The maximum exposure to credit risk for financial assets at the consolidated financial statements date by geographical region and industry wise sector is as follows:

	GCC	Total
	KD	KD
31 December 2019:		
Cash at banks	4,335,308	4,335,308
Accounts receivable and other debit balances (excluding prepaid expenses)	10,683,958	10,683,958
Due from a related party	316	316
	15,019,582	15,019,582

	GCC	Total
	KD	KD
31 December 2018:		
Cash at banks	2,168,801	2,168,801
Accounts receivable and other debit balances (excluding prepaid expenses)	3,200,846	3,200,846
Due from a related party	22,226	22,226
	5,391,873	5,391,873

	2019	2018
	KD	KD
Sector:		
Real Estate and Commercial	10,684,274	3,223,072
Banks and financial institution	4,335,308	2,168,801
	15,019,582	5,391,873

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its commitments. Liquidity risk management includes holding sufficient cash and making finance sources available through sufficient facilities, holding high liquidity assets, monitoring liquidity regularly through future cash flows.

31. Financial risk management (Continued)

b) Liquidityrisk (Continued)

The maturity of liabilities stated below is based on the period from the consolidated statement of financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed to settle the obligation.

The maturities of liabilities are as follows:

31 December 2019:

	Within one month	3 to 12 months	Total
	KD	KD	KD
Accounts payable and other credit balances	-	2,409,933	2,409,933
Due to a related party	341,776	-	341,776
	341,776	2,409,933	2,751,709

31 December 2018:

	Within one month	3 to 12 months	Total
	KD	KD	KD
Wakala payables	4,091,766	-	4,091,766
Ijara payable	-	2,325,673	2,325,673
Accounts payable and other credit balances	-	2,683,457	2,683,457
Due to a related party	343,510	-	343,510
	4,435,276	5,009,130	9,444,406

c) Market risk

Market risk comprises of foreign currency risk, interest rate risk and equity price risk. These risks arise due to change in market prices, interest rates and exchange rates.

Foreign currency risk
Foreign currency risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

These risks arise due to transactions in foreign currencies. The Group manages these risks by setting limits to deal in foreign currencies as well as dealing with major currencies.

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

	2019	2018
	KD equivalent	KD equivalent
Omani Riyal	2,396,027	3,158,316
UAE Dirham	3,763,333	3,813,100
EGP	470,563	253,425
	6,629,923	7,224,841

31. Financial risk management (Continued)

c) Market risk (Continued)

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

	Effect of increase in currency exchange rate by 5% on the consolidated loss or profit	
	2019	**2018**
	KD equivalent	KD equivalent
Omani Riyal	119,801	157,916
UAE Dirham	188,167	190,655
Egyptian Pound	23,528	12,671

Interest rate risk
Interest rate risks are the risks that fair value or cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.
Interest rate risks arise from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flows interest rate risks.

The Group does not have significant assets with an interest rate, therefore, the Group's profit or loss, cash and operational flows are not affected by market interest rate changes.

Equity price risk
Equity price risks are the risks that the fair value of equities will fluctuate due to changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown. The Group is not significantly exposed to equity price risk.

The effect on equity as a result of a change in the fair value of investments at fair value through other comprehensive income due to the possible changes in stock exchange markets index (±5%), with all other variables held constant, is as follows:

	Effect on equity	
	2019	**2018**
	KD	KD
Financial assets at fair value through other comprehensive income	2,070	2,628

32. Commitments and contingent liabilities

	2019	**2018**
	KD	KD
Letters of guarantee	60,000	85,237

32. Commitments and contingent liabilities (Continued)

Operating lease commitments

The minimum operating lease commitments under non-cancellable operating leases are as follows:

	2019	2018
	KD	KD
Not more than one year	-	124,172
more than one year but not more than five years	-	323,289
	-	447,461

33. Capital risk management

The Group's objectives in managing capital are:

- To safeguard the Group's ability to continue as a going concern to be able to provide returns to shareholders and benefits to other beneficiaries.
- To maintain optimal returns to the shareholders by pricing products and services commensurately with risk level.

The Group determines share capital that is adequate for risks, manages its capital structure, and adjusts it in the light of changes in the market economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

Consistent with others in the same field, the Group monitors its capital based on debt to equity ratio. This ratio is calculated as net debt divided by total adjusted capital. Net debt is calculated as total Wakala payable included in the consolidated financial position less cash and cash equivalents. Adjusted capital comprises all components of equity (share capital, reserves, share premium, treasury shares, and accumulated losses) in addition to the net debts as follows:

	2019	2018
	KD	KD
Wakala payables	-	4,091,766
Ijara payable	-	2,325,673
Less: Cash and bank balances	(4,338,781)	(2,266,845)
Net debt	(4,338,781)	4,150,594
Total equity attributable to shareholders of the Parent Company	22,828,923	21,400,813
Total capital	18,490,142	25,551,407
Debt ratio	-	%16.24