مشاعر القابضة

MASHAER HOLDING

ش.م.ك.(عامة)

K.S.C.(Public)

ANNUAL REPORT 2019

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In the Name of Allah,
Most Gracious, Most Merciful

H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

H. H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

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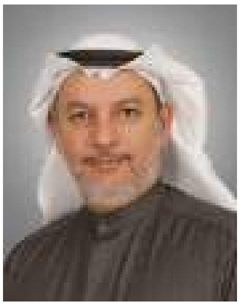
Board of Directors

Fahad Abdullah Al-Saleh
Chairman of the Board of Directors

Nawaf Abdullah Al-Refae
Board Member



Mansour Hamad Al-Mubarak
Board Member

Haitham Tawfiq Al-Furaih
Vice Chairman

Ziad Bin Fouad Al-Saleh
Board Member

Saleh Abdulaziz Al-Sarawi
Board Member

Abdulaziz Zaid Al-Subaie
Board Member & CEO

Chairman speech

M/S: Shareholders of the Mashaer Holding Company **K.S.C. (Public)**
Greetings,

Praise be to Allah, the Lord of the Worlds, and may peace and blessings be upon the most honored of the Prophets; the Prophet Muhammed (Peace be upon him).
On behalf of myself and my colleagues, members of the Board of Directors, I'm pleased to present to you the 20th Annual Report, including the most important economic developments at the local and regional levels; in addition to the annual performance results, the consolidated financial statements and the Independent Auditor's Report for the fiscal year ended on the 31st of December 2019.

The economic situation in general did not achieve positive results during 2019; in light of the regional political and security crises up until the economic crises facing the Arab Gulf states in particular, or regionally in the Arab Peninsula and Eastern Africa in general; which was manifested by fluctuations in the foreign currencies' exchange rates against the Kuwaiti Dinar and the decline in the oil prices in the world markets to levels that had a negative impact on all the economic activities; thus causing a deficit in the budgets of the region states that depend on the oil income to the historical levels. In the midst of these economic fluctuations, and due to Mashaer Holding Company's adoption of a risk-based investment strategy based on real estate investments and income-generating operating assets and their periodic returns that are more stable than others within and outside of Kuwait, the Company succeeded in achieving operating profits; as the Earnings Per Share (EPS) reached 9.26 Fils.

Esteemed General Assembly's Members:
As we used to in previous years, to review with you the Company's financial report, and that is after the Company succeeded in the past years to meet all of its obligations, as the policy adopted by the Company has led to an increase in the total equity attributed to the Parent Company from KWD 21,086,913/- to KWD 23,333,361/- in addition to an increase in the Company's total assets from KWD 30,112,438/- to KWD 33,377,446/- and a decline in the total liabilities from KWD 8,677,726/- to KWD 7,833,672/- .

We have promised you in last year's meeting that the Company will make its comeback in achieving profitability; and that is in our belief that following the transparency policy adopted by the Company with the shareholders, regulatory authorities and others will lead to the realization of positive results, which have already been achieved; as the Company achieved profits for the fiscal year ended on the 31st of December 2019 amounting to KWD 1,658,586/- .

The Company's Board of Directors recommended the distribution of cash dividends for the fiscal year ended on the 31st of December 2019 at 5% of the share's nominal value (5 fils per share), after excluding the treasury shares; and that is for the shareholders registered in the Company's Shareholders list on the entitlement date set after 15 business days from the General Assembly' convening date; provided that the cash distribution will occur 10 business days after the entitlement date; in addition to authorizing the Board to amend the shares entitlement schedule, if it is not possible to announce the confirmation of the entitlement schedule 8 business days prior to the entitlement date.

Corporate Governance:
We enhanced the Corporate Governance System at Mashaer Holding Company; as we adopted the Corporate Governance Manual; in addition to the applications of all the standards and mechanisms; in order to strengthen the corporate governance rules. We were also keen on promoting the internal control concept, the transparency and disclosure concept, the stakeholders' rights and other corporate governance applications. To this end, we established a standing committee to constantly view the new amendments to the CMA Law, and work on implementing the law's requirements and CMA's instructions in this regard.

In addition, the Company established the Investor Relations Unit and Compliance Department; in order to follow up and ensure that the work of the Company's Corporate Governance is in line with the CMA's instructions and regulations.

Esteemed Shareholders:

During its journey in the previous years, Mashaer Holding Company has promised you to achieve outstanding results that reflect its strong performance, solid foundation and continuously achieve the best financial and profitability results for the shareholders, and that it has fulfilled its promises and assures you that it will continue on the same approach it has established for itself since its inception for studying the local and international markets; in order to seize the investment opportunities that achieve stable returns, which enhance the values of its assets.

In conclusion, I would like to extend my thanks and appreciation to the members of the Fatwa and Shariah Supervisory Board, the members of the Board of Directors and the Executive Management, and all the Company's employees for their active participation and tangible efforts. On behalf of myself, the Board Members, and all the Company's employees, I extend my sincere thanks and gratitude to our esteemed shareholders for their continued trust and support.

Fahad Abdullah Al-Saleh
Chairman of the Board of Directors

شورى للاستشارات الشرعية
Shura Sharia Consultancy

23 Jumada al-Thani 1441 H

17 February 2020 G

بسم الله الرحمن الرحيم

In the Name of Allah, the Most Merciful, the Most Compassionate

Annual Report of Shari'a Supervisory Board
Mashaer Holding Company
for the fiscal year ended 31 December 2019

To the Shareholders of Mashaer Holding Company:

According to the decision of the general assembly of **Mashaer Holding Company (the Company)** appointing us as Sharia Supervisory Board, we present to you the following report:

We have monitored and reviewed the contracts that are related to transactions and implementations offered by the company during the fiscal year ended 31 December 2019 in order to express an opinion as to whether the company has complied with the Rules and Principles of Islamic Shari'a, as well as specific Fatwas, ruling and guidelines issued by us.

It is the management's responsibility to ensure that the company operates in accordance with the Rules and Principles of Islamic Shari'a. However, our responsibility is limited to form an independent opinion based on our monitoring and reviewing of the company operations and to report to you.

We have performed our monitoring and reviewing which included examination and documentation of procedures followed by the company, we have also planned and implemented our monitoring and reviewing in order to obtain all information and interpretations we deemed necessary for providing us with sufficient evidence to give reasonable assurances that the company has not violated Islamic Shari'a Rules and Principles.

In our opinion the contracts and operations made by the company during the year ending on 31 December 2019 which we have reviewed, were conducted in compliance with the Islamic Shari'a Rules and Principles.

We ask Allah the all mighty to make reason and rightness realized to us
May peace, merci and blessing of Allah be upon you.

SHEIKH /	SHEIKH /	SHEIKH /
ABDUL SATTAR AL-KATTAN	HAMAD ALMAZYAD	Dr. SAAD AL-KANDARI

Tel. (965) 22412888 Fax. (965) 22412680 - ext. 123 P.O. Box 20328, Safat 13154 State of Kuwait Web: www.shura.com.kw Email: info@shura.com.kw

Projects Mashaer Holding Company

Hajar Tower Real Estate Company

Mashaer Holding Company contributes through one of its subsidiaries in the Hajar Tower Real Estate Company; and the Hajar Tower Real Estate Company comes within a leading system of economically important companies in the region through the alliance to invest in a distinct real estate project in Mecca next to Masjid Al-Haram; as part of the King Abdulaziz Endowment Development Project "Abraj Al Bait", which is "Hajar Tower".

Elaf Al-Mashaer Hotel

Mashaer Holding Company has the right to use the Elaf Al-Mashaer Hotel in Makkah; as the Hotel has a view overlooking Masjid Al- Haram, along with providing excellent hotel services.

Masaa Real Estate Company K.S.C (Closed)

The Masaa Real Estate Company was founded in July 2007 with a capital of KD 28 million, and it specializes in the real estate investment and development in Kuwait, Saudi Arabia and the Arab Republic of Egypt. The following is a presentation of the most prominent projects owned or developed by the Masaa Real Estate Company:

The Investment Projects in the State of Kuwait are represented in:

The Masaa Real Estate Company owns a group of income-generating residential investment real estates in the State of Kuwait.

Masaa Real Estate Egypt Company

Through one of its subsidiaries, Mashaer Holding Company was able to prove its presence in the Egyptian real estate market and form a good and excellent relationship with the customers, which earned it a good reputation that encouraged the major Egyptian real estate companies to apply for joint investment with it. It has owned a number of villas, apartments and shops in Sheikh Zayed City in two of the most important projects in Sheikh Zayed (Zayed Dunes & Zayed Regency).

The Spot Real Estate Investment Company

On year 2014 The Spot Real Estate Investment Company was established which owned the Spot Shopping Mall in front of the American University located the Fifth Settlement in New Cairo. Spot Real Estate Investment Company has a capital of 147,153,840 Egyptian Pounds only.

The Audit Committee's Report

for the Fiscal Year ended on the 31 st of December 2019

In compliance with the implementation of the good governance rules, the Board of Directors formed an Audit Committee to support the Board in its supervisory role; and that is by verifying the adequacy of the Internal Control Systems, supervising the Internal Audit Processes, and ensuring the independence of the Company's External Auditor.

Committee's Formation:

- **The Audit Committee was reformed on 14/05/2018, and it consists of (3) members, including:**

S.N.	Name	Committee's Membership
1	Mr. Nawaf Abdullah Al-Refae	Committee Chairman
2	Mr. Haitham Tawfiq Al-Furaih	Member
3	Mr. Saleh Abdulaziz Al-Sarawi	Member
4	Mr. Ahmed Bader Al-Aslawi	Secretary

Committee's Meetings:

The Committee held 10 meetings during 2019.

Committee's Tasks:

- Recommend to the Board of Directors to approve the appointment of the Internal Auditor and determine his fees.
- Recommend to the Board of Directors to reappoint the External Auditors, determine their fees, and review their appointment letters.
- Follow-up with the External Auditors' work and ensure that they do not perform other work for the Company other than the services required by the audit profession.
- Study the External Auditors' notes on the Company's financial statements and follow up with what has been done in their regard.
- Study the applicable accounting policies; give its opinion; and provide recommendation to the Board of Directors in their regard.
- Assess the adequacy of the Internal Control Systems applied within the Company, and prepare a report containing the Committee's recommendations in this regard.
- Review the periodic financial statements and submit them to the Board of Directors, along with expressing its opinion and recommending their adoption.
- Review and approve the audit plans proposed by the Internal Auditor and make notes on them.
- Review the results of the regulatory authorities' reports and ensure that the necessary measures have been taken in their regard.
- Ensure that the Company complies with the relevant laws, policies, regulations and instructions.

The Committee's Achievements During 2019

During the fiscal year that ended on the 31st of December 2019, the Committee achieved the following tasks:

Financial Statements and Reports

Review the financial statements and reports before submitting them to the Board of Directors, express its opinion and give recommendations on them; and the following are the financial statements that are submitted to the Audit Committee:

- Financial statements for the periods ended on the 31st of March 2019.
- Financial statements for the periods ended on the 30th of June 2019.
- Financial statements for the periods ended on the 30th of September 2019.
- Financial statements for the year ended on the 31st of December 2019.

Internal Audit

- Review and approve the Internal Audit action plan.
- Discuss the Internal Audit Reports and the corrective actions taken by the Management for these notes.
- Supervise the Internal Audit work and follow up with the internal audit achievements.
- Appoint an independent external office to assess the Internal Audit.

Internal Control Systems

- Appoint an External Auditor to examine and assess the Internal Control Systems, and an independent auditor office was appointed to examine and assess the Company's Internal Control Systems.

External Auditor

- The Committee reviewed the services carried out by the External Auditors and it reviewed and confirmed the independence and objectivity of the External Auditors.
- The Committee met with the External Auditors and discussed the nature and scope of the audit work that they performed in accordance with the International Standards of Auditing (ISA), the International Financial Reporting Standards (IFRS) and other regulatory requirements.
- The Committee also discussed the accounting policies with the External Auditor.

Nawaf Abdullah Al-Refae
Committee Chairman

Corporate Governance Report

for the period ended on the 31 st of December 2019

First Rule:

"Building a Balanced Structure for the Board of Directors"

A Summary of the Board's Composition as follows:

Name	Member Classification (Executive/ Non-Executive/Independent Member), Secretary	Educational Qualification and Practical Experience	Date of Election / Secretary's Appointment
Fahad Abdullah Al-Saleh Chairman of the Board of Directors	Independent	Master of Business Administration (MBA) 20 years of experience	15/05/2016
Haitham Tawfiq Al-Furaih Vice Chairman	Non-Executive	Master of Business Administration (MBA) 16 years of experience	25/05/2016
Mansour Hamad Al-Mubarak Board Member	Non-Executive	Bachelor of Business Administration and Finance More than 30 years of experience	03/01/2011
Saleh Abdulaziz Al-Sarawi Board Member	Non-Executive	Bachelor of Business Administration in Information Systems (M.I.S) 16 years of experience	27/05/2012
Nawaf Abdullah Al-Refae Board Member	Independent	Bachelor of Business Administration – Marketing 23 years of experience	03/05/2017
Ziad Bin Fouad Al-Saleh Board Member	Non-Executive	Bachelor of Business Administration 23 years of experience	08/03/2012
Abdulaziz Zaid Al-Subaie Board Member & CEO	Executive	Bachelor of Finance 17 year of experience	03/05/2017
Ali Haroun Ibrahim Secretary	Secretary	Master of International Business Law 28 years of experience	13/05/2018

A Summary of the Company's Board Meetings Through the Following Statement:

The Board's Meetings During 2019:

Member Name	Meeting No. (1/2019) held on 31/3/2019	Meeting No. (2/2019) held on 31/3/2019	Meeting No. (3/2019) held on 9/05/2019	Meeting No. (4/2019) held on 9/05/2019	Meeting No. (5/2019) held on 24/07/2019	Meeting No. (6/2019) held on 24/07/2019	Meeting No. (7/2019) held on 7/11/2019	Meeting No. (8/2019) held on 7/11/2019	Meeting No. (9/2019) held on 29/12/2019	Number of Meetings
Fahad Abdullah Al-Saleh	/	/	/	/	/	/	/	/	/	9
Haitham Tawfiq Al-Furaih	/	/	/	/	/	/	/	/	/	9
Abdulaziz Zaid Al-Subaie	/	/	/	/	/	/	/	/	/	9
Ziad Bin Fouad Al-Saleh	x	x	x	x	x	x	x	x	x	0
Mansour Hamad Al-Mubarak	/	/	x	x	x	x	/	/	x	4
Nawaf Abdullah Al-Refae	/	/	/	/	/	/	/	/	x	8
Saleh Abdulaziz Al-Sarawi	/	/	/	/	/	/	/	/	/	9

A Summary on the Application of the Registration, Coordination, and Maintenance Requirements for the Minutes of the Meetings of the Company's Board of Directors:

The Secretary, with the help of the Chairman of the Board of Directors, prepares the Board's agendas and sends invitations to the Board Members at least three days before the meeting; while providing them with all the documents and data proposed for discussion within the meeting's clauses. Afterwards, the Secretary records the minutes of the meetings and numbers it according to the meeting's convening date by year; he then records all the Board Members' decisions and discussions, records the results of the votes on the Board's decisions, and works on maintaining its documents, and then such documents will be signed and maintained by the Secretary and all the present members; provided that the information will be easily provided to the members who wish to access them. Furthermore, the Secretary provides information and coordination between the Board Members and the other stakeholders at the Company, including the shareholders and the Company's various managements.

Second Rule
Proper Identification of Tasks and Responsibilities

A Summary on How the Company Determines the Policy of the Functions, Responsibilities and Duties of Each Member of the Board of Directors and the Executive Management; In Addition to the Authorities and Powers Delegated to the Executive Management:

Tasks and Responsibilities

The Board of Directors adopted the Board's regulations, which explain in detail all of the Board's tasks, powers and specializations; as the Board adopted the job descriptions of the members of the Board of Directors and the Executive Management, which explain the separation of tasks and powers between the Board of Directors and the Executive Management in a manner that ensures the full independence and effectiveness for all the parties. In addition, the Company has a table for identifying the powers for approving the transactions; and the Board's main tasks include the following:

- Develop the Company's objectives, strategies, plans, and policies; its major business plans and financial structure and the Company's organizational and functional structures, while conducting periodic review on them.
- Approve the annual discretionary budgets and the interim and annual financial statements.
- Supervise the Company's main capital expenditures; as well as the ownership and alienation of shares and assets.

The Executive Management's Tasks and Responsibilities:

The Company's Executive Management, which is represented by the Chief Executive Officer and the Senior Executives performs a set of tasks that can be summarized as follows:

- Implement the general strategy and the detailed plans approved by the Board of Directors.
- Work on implementing all the Company's internal policies, regulations and systems approved by the Board of Directors.
- Develop an integrated accounting system that maintains books, records and accounts that reflect the financial statements and income accounts in a detailed and accurate manner; in order to maintain the Company's assets.
- Develop the Internal Control and Risk Management Systems; ensure the effectiveness and efficiency of these systemsmanage the day-to-day work, and conduct the activity; in addition to managing the Company's resources optimally and working on maximizing the profits and reducing the expenses; in line with the Company's overall objectives and strategy.
- Prepare periodic (financial and non-financial) reports on the development of the Company's activities in light of the Company's strategic plans and objectives, and submit such reports to the Board of Directors.
- Prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) approved by the Kuwaiti Capital Markets Authority.
- Active participation in establishing and developing a culture of ethical values within the Company.

Board's Report During the Year:

In 2019, the Board of Directors has performed many tasks, and the following is a statement of the Board's main achievements:

- Following-up with the Company's performance and what has been achieved from the strategic plan.
- Entering and exiting a number of local and regional investments and projects.

- Reviewing the Company's interim and annual financial statements.
- Reviewing and adopting the decisions of The Nominations and Remunerations Committee and The Audit and Risk Committee.
- Reviewing and discussing the reports prepared by the Management.
- Reviewing and updating the Company's organizational structure according to the governance requirements.
- Ensuring that the Company complies with the laws and legislations related to the Company's activities.
- Discussing the risks facing the Company's business and the acceptable risk level.
- Following-up with the application of the corporate governance instructions.
- Studying the investment opportunities to diversify the Company's income sources.
- Exiting from the non-profit projects.

A Summary on the Application of the Board's Requirements for the Formation of Specialized Independent Committees; Taking into Account the Following:

In line with the CMA's 15th book "Corporate Governance", the Board of Directors has formed each of the following committees: The Audit Committee, The Risk Committee and The Nominations and Remunerations Committee.

First: Audit Committee

The Audit Committee consists of three non-executive members, including an independent member, and it is mainly responsible for reviewing the periodic financial statements before submitting them to the Board of Directors and giving opinions and recommendations on them; in order to ensure the fairness and transparency of the financial reports; as the Board of Directors delegates the Committee with responsibilities, powers and tasks related to the technical supervision of the Internal Audit Management in the Company; in order to verify its effectiveness in carrying out the work and tasks specified by the Board of Directors.

Among the Committee's Achievements:

- Reviewing the quarterly and annual financial statements and reports before submitting them to the Board of Directors and giving opinions and recommendations on them.
- Reviewing and approving the internal audit action plan.
- Discussing the internal audit reports and the Management's corrective actions on these notes.
- Supervising the internal audit work and following up with the internal audit achievements.
- Appointing an independent external office to assess the internal audit.
- Appointing an independent external auditor to make the internal control report.
- Following-up with the Company's compliance with the relevant laws and legislations.

The Audit Committee was reconstituted on 14/05/2018 and its validity is related to the current Board's term, and it consists of (3) members, namely:

Mr. Nawaf Abdullah Al-Refae	**Committee Chairman**
Mr. Haitham Tawfiq Al-Furaih	**Member**
Mr. Saleh Abdulaziz Al-Sarawi	**Member**
Mr. Ahmed Bader Al-Aslawi	**Secretary**

The Committee held (10) meetings.

Second: Risk Committee

The Risk Committee consists of three non-executive members, and it is mainly responsible for establishing effective internal control systems to monitor the integrity and accuracy of financial statements and the efficiency of the Company's business; in addition to assessing the compliance with the regulatory controls; as the Board delegates the Committee's responsibilities, powers and tasks that are related to identifying, assessing and monitoring all of the Company's risks and developing solutions for them; along with developing policies and regulations for the Risk Management in line with company to avoid occurring of risk.

Among the Committee's Achievements:

- Appointing a specialized risk management company.
- Approving the plan submitted on the risks and submitting it to the Board of Directors for approval.
- Submitting periodic reports to the Board of Directors on the nature of the risks faced by the Company.
- Reviewing the organizational structure and making recommendations about it, and then submitting it to the Board.

The Risk Committee was reconstituted on 04/11/2018 and its validity is related to the current Board's term, and it consists of (3) members, namely:

Mr. Saleh Abdulaziz Al-Sarawi	**Committee Chairman**
Mr. Nawaf Abdullah Al- Refae	**Member**
Mr. Haitham Tawfiq Al-Furaih	**Member**
Mr. Ahmed Bader Al-Aslawi	**Secretary**

The Committee held (4) meetings.

Third: Nominations and Remunerations Committee

The Nominations and Remunerations Committee consists of three members; one of which is an independent member and it is chaired by a non-executive Board Member. This Committee is responsible for preparing recommendations regarding the nominations for the Board Members and Executive Management positions, along with providing remunerations on the policies and regulations governing the award of compensations and remunerations.

Among the Committee's Achievements:

- The Committee approved the succession plan.
- Development of the job descriptions for the executive, non-executive and independent members.

The Nominations and Remunerations Committee was constituted on 01/11/2018 and its validity is related to the current Board's term, and it consists of (3) members, namely:

Mr. Fahad Abdullah Al-Saleh	**Committee Chairman**
Mr. Mansour Hamad Al-Mubarak	**Member**
Mr. Abdulaziz Zaid Al-Subaie	**Member**
Ms. Shereen Abdelrahman Al-Abdullah	**Secretary**

The Committee held (2) meetings.

Third Rule
“Selection of Competent Persons for the Membership of the Board of Directors and the Executive Management”

- A Summary on the Application of the Requirements for the Formation of the Nominations and Remunerations Committee:

The Nominations and Remunerations Committee works on completing the Committee’s requirements by establishing a clear remuneration policy for the Board of Directors and the Senior Executives, and identifying the different segments for the remunerations to be awarded to the employees; in addition to conducting a periodic (annual) review for the remuneration awarding policy, and assessing its effectiveness in achieving its desired objectives.

- Report on the Remunerations awarded to the Board Members and the Executive Management

The Chairman of the Board of Directors of the General Assembly of the Company shall report on all transactions with senior management employees and Board Members, which shall include the awards granted to Board Members and Executive Management, and the General Assembly of the Company shall approve such transactions and the awards granted to board members and Executive Management.

Fourth Rule
“Ensuring the Integrity of the Financial Reports”

- Written Undertakings from Both the Board of Directors and the Executive Management Regarding the Safety and Integrity of the Prepared Financial Reports:

Mashaer Holding Company is keen on the integrity and safety of the financial statements before the shareholders and the regulatory authorities; as the Executive Management and the Financial Management have signed undertakings for the validity and integrity of these statements. Furthermore, the financial statements integrity and safety undertaking has been approved and signed by the Board members for the fiscal year ended on the 31st of December 2019.

The Finance Manager`s Acknowledgment of the Financial Statements' Integrity

As the Senior Manager – Finance Department of the Mashaer Holding Company, I, Anwar Ul–Haq Abdul Haq, acknowledge that I have viewed the financial statements of the Mashaer Holding Company (K.S.C. – Public) for the fiscal year ended on the 31st of December 2019. Based on the information in my possession, the financial statements and information contained in this report are shown in a fair manner in terms of all the material aspects; in addition to the reports related to the Company's activity.

This is my acknowledgment in this regard.

Senior Manager – Finance Department

(Signed)

The Executive Management's Acknowledgment of the Financial Statements' Integrity

As the CEO and member of the Board of Directors of the Mashaer Holding Company, I, Abdulaziz Zaid Al-Subaie, acknowledge that I have viewed the financial statements of the Mashaer Holding Company (K.S.C. – Public) for the fiscal year ended on the 31st of December 2019. Based on the information in my possession, the financial statements and information contained in this report are shown in a fair manner in terms of all the material aspects; in addition to the reports related to the Company's activity.

This is my acknowledgment in this regard.

CEO and Board Member

(Signed)

Corporate Governance Report
31st of December 2019

Ensuring the Integrity of the Financial Reports

Board's Acknowledgement:

We, the Chairman and Members of the Board of Directors of the Mashaer Holding Company, acknowledge and undertake the accuracy and integrity of the Company's consolidated financial statements that have been provided to the External Auditor; and that the Company's financial reports have been submitted properly and fairly in accordance with the International Financial Reporting Standards (IFRS) applied in the State of Kuwait and approved by the Kuwait Capital Markets Authority; and that these reports reflect the Company's financial position as of the 31st of December 2019, based on the information and reports received by the Executive Management and the Independent External Auditor and the due diligence exercised to verify the integrity and accuracy of these reports.

Member Name	Position	Signature
Fahad Abdullah Al-Saleh	Board Chairman Independent Member	(Signed)
Haitham Tawfiq Al-Furaih	Board Vice-Chairman Non-Executive Member	(Signed)
Abdulaziz Zaid Al-Subaie	Board Member & CEO Executive Member	(Signed)
Mansour Hamad Al-Mubarak	Board Member Non-Executive Member	(Signed)
Nawaf Abdullah Al-Refae	Board Member Independent Member	(Signed)
Saleh Abdulaziz Al-Sarawi	Board Member Non-Executive Member	(Signed)

- A Summary on the Application of the Requirements for the Formation of the Audit Committee:

The Board of Directors formed the Audit Committee in accordance with the requirements of the 15th Book of Corporate Governance issued by the CMA, and the Committee has held 10 meetings to date.

- In the Event of a Conflict Between the Audit Committee's Recommendations and the Board's Decisions, a Statement will be Included Detailing the Recommendations and the Reason(s) Behind the Board's Decision not to Comply thereto:

There is no conflict between the Audit Committee's recommendations and the Board's decisions.

- Confirmation of the Independence and Impartiality of the External Auditor:

The Audit Committee made a recommendation to the Board of Directors to appoint an External Auditor and confirmed his independence and impartiality.

Fifth Rule
"Development of Sound Internal Control and Risk Management Systems"

- A Brief Statement on the Application of the Requirements for the Formation of an Independent Department/Office/Unit for the Risk Management:

An independent Risk Management Department has been formed under the Risk Committee and a specialized consulting firm has been appointed to study and assess the Company's activities and risks; as it submits its reports to the Risk Committee, which in turn makes recommendations to the Board of Directors in order to avoid their occurrence.

- A Summary on the Application of the Requirements for the Formation of the Risk Committee:

The Risk Management Committee aims to assist the Board of Directors in supervising the matters related to the current and future activity risks; as the Committee reviewed the periodic reports and confirmed that the corrective procedures were taken; and it reviewed the reports issued by the specialized external company that was contracted to manage the risks of the Company's activities; as it submitted its recommendations to the Board of Directors for approval and adopted some mechanisms to avoid risks.

- A Summary on the Internal Control and Regulatory Systems:

The Company has internal control and regulatory systems covering all its activities, which work on maintaining the integrity of the Company's financial position and the accuracy of its data; and that is through the existence of approved organizational structures that are based on the principle of separation of tasks and prevent the conflicts of interest. Furthermore, the Company has policies manuals and business procedures that clearly determine the tasks and responsibilities, and the Company has entrusted one of the independent audit offices to conduct the examination and assessment of the internal control systems for all of the Company's managements.

- A Brief Statement on the Application of the Requirements for the Formation of an Independent Department/Office/Unit for the Internal Audit:

An Internal Audit Unit has been established following the Audit Committee directly, along with contracting with one of the competent audit companies; in order to carry out the internal audit work on the Company's managements according to the approved plan; and then the Unit submits its reports to the Committee, which meets with the Internal Auditor on a periodic basis, and then the Committee submits its recommendations to the Board of Directors.

Sixth Rule
"Promoting Professional Conduct and Ethical Values"

- A Summary on the Labor Charter, which includes the Standards and Determinants of the Professional Conduct and Ethical Value:

The updated Labor Charter has been adopted within the Company to promote a culture of professional conduct and corporate and ethical values, through the development of key guidelines representing the Company's policies in accordance with the governance rules. The Labor Charter aims to promote honest ethical conduct that reflects positively on the Company and maintains the institutional environment that preserves the value and integrity of each individual and provides an appropriate and effective work environment under the umbrella of the governance rules.

The Charter ensures compliance with the laws, rules and systems governing the Company's activities and operations, and it ensures the proper use of the Company's assets, in addition to developing teamwork, establishing the employee's loyalty to the Company, and ensuring the retention of the experienced and competent employee; as these standards included the rules and ethics of conduct and explained how managers, officials or employees handle the Company's stakeholders or the public dealing with the Company. Furthermore, the Labor Charter included all the instructions that must be followed by the members of the Board of Directors and the Executive Management and the Company's employees; in order to achieve the interests of the Company, and its shareholders and stakeholders.

- A Summary of the Policies and Mechanisms on the Reduction of the Conflicts of Interest Cases:

Within the framework of the Board Members' keenness on ensuring the reliability, integrity and transparency of the shareholders' interests and to avoid actual conflicts of interest in the personal and professional relations between them, the Company adopted a conflict of interest policy and reviewed the policies of the dealings with the relevant parties in accordance with the nature of the Company's business and the regulatory developments in the markets. The Company adopted a general policy to report any violations or infringements, and this policy ensures that the Company's employees can report their complaint in relation to any improper practice by applying the appropriate mechanisms; in order to allow an investigation to be conducted in these matters, while ensuring that the amount is protected to avoid any adverse reaction or harm when reporting this practice.

Seventh Rule
"Accurate and Timely Disclosure and Transparency"

- A Summary on the Application of the Accurate and Transparent Submission and Disclosure Mechanisms that define the Disclosure's Aspects, Fields and Characteristics:

In compliance with the disclosure and transparency policy adopted by the Board to enhance the mechanisms of accurate disclosure of all the fundamental issues related to the Company's performance and financial position, the Company's relevant managements verify the Company's disclosure of the essential information and the information that the Company is legally committed to disclose to the Boursa Kuwait and the Capital Markets Authority; in addition to the disclosure through the Company's website, and all that is contained in the annual reports, the interim financial statements, and the information related to the Company's activities.

- A Summary on the Application of the Requirements for the Disclosure Register of the Members of the Board of Directors and the Executive Management:

The Company is obliged to follow the corporate governess rules regarding the Board Members and Executive Management declarations in this issue, declaration records has been effective through investors affairs unit; as the register can be viewed by all of the Company's shareholders. The Investors Affairs Unit is keen on updating the data of this register periodically to reflect the reality of the situation of the involved parties.

- A Brief Statement on the Application of the Requirements for the Formation of the Investors Affairs Management Unit:

The organizational structure includes the Investors Affairs Management Unit, which is responsible for providing the data, information and reports needed by the prospective investors through the accepted disclosure methods, including the Company's website.

- A Brief Summary on the Development of the IT Infrastructure, and the Heavy Reliance thereon in the Disclosure Processes:

The Investors Affairs Management Unit page was created on the Company's website entitled «Investor Relations» as it provides information and data about the Company and various reports that may be needed by the Company's shareholders, the economists and the current or prospective investors.

Eighth Rule
"Respect for Shareholders' Rights"

- A Summary on the Application of the Requirements for the Identification and Protection of the Shareholders' General Rights, in order to ensure Justice and Equality among all the Shareholders:

The Company is committed to its responsibilities towards the shareholders; as it adopts the corporate governance standards; due to its belief that the proper application of the corporate governance enhances the confidence of its shareholders and others; as the Company treats all the shareholders equally without discrimination and it does not block any of the shareholders' information or rights by any means. The Company adopts a special shareholders rights protection policy that shows the role of both the Board of Directors and the Executive Management in protecting the shareholders' rights and ensuring that all the shareholders enjoy the same voting rights and the same treatment and have access to all the voting information, while giving them the opportunity to discuss it with the Board of Directors and ask it about any tasks or actions carried out by the Board.

- A Summary on the Establishment of a Special Register to be kept at the Clearing Agency, within the Requirements for Continuous Follow-up with the Shareholders' Data:

The Company contracts with the Kuwaiti Clearing Company; in order to keep the shareholders' names, nationalities, and homelands, and the number of shares owned by each of them; as the Company's shareholders can view their contribution register, and the data contained in the mentioned register will be dealt with in accordance with the highest protection and confidentiality levels.
As for the strategic shareholders, they will disclose any changes in their shares to the Company and the Boursa Kuwait.

- A brief Summary on How to Encourage the Shareholders to Participate and Vote in the Meetings of the Company's Assemblies:

The Company follows a set of procedures that allow the shareholders to participate, discuss and vote in the Company's Ordinary and Extraordinary Assembly meetings, as follows:

S.N	Procedure	Tool
1	Publish (4) invitation announcements to attend the General Assembly at intervals.	Press Announcements
2	The General Assembly's date will be announced on the Company's website.	Website
3	Achieve direct communication with the shareholders to confirm their attendance, and provide them with the necessary and relevant financial statements regarding these meetings.	Phone Calls

Ninth Rule
"Recognition of the Stakeholders' Role"

- A Brief Summary on the Systems and Policies that ensure the Protection and Recognition of the Shareholders' Rights:

The Company adopted an internal policy and regulations to protect the stakeholders' rights in all its internal and external transactions; in line with the laws and instructions issued by the relevant regulatory authorities; as the Policy clarified who are the parties whose interests conflict with the Company, and the roles and responsibilities that the members of the Board of Directors and the Executive Management are committed thereto under this policy.

This Policy also clarified the role played by the Company's Conformity and Compliance Management in verifying the adequacy of the systems and mechanisms and their ability to detect conflicts. This Policy also demonstrated the role played by the Secretary in coordination with the Internal Audit Management towards the responsibility of pursuing the implementation of the Conflicts of Interest Policy. Furthermore, the Policy also explained how to disclose the conflicts of interest and verify their existence, and the Board's Secretary keeps a record of conflicts of interest.

- A Brief Summary on How to Encourage the Stakeholders to Participate in the Follow-up with the Company's Various Activities:

The Company follows a series of procedures that allow the stakeholders to follow up with the Company's various activities, through press releases and the news to be included on the website.

Tenth Rule
"Performance Enhancement and Improvement"

- A Summary on the Application of the Requirements for the Development of Mechanisms that Allow the Members of the Board of Directors and the Executive Management to Receive Continuous Training Programs and Courses:

Through its strategic plan, the Company aspires to train the members of the Board of Directors and the Executive Management in training programs and workshops; in order to achieve their desired goals towards the Company in accordance with the CMA requirements. To this end, the Company organized a training course for the Board Members; in order to raise their efficiency in relation to their business tasks as Board Members.

- A Summary on How to Assess the Board's Performance as a Whole, and the Performance of Each Member of the Board of Directors and the Executive Management:

The Company prepared the mechanisms for assessing the members of the Board of Directors and the Executive Management; and that is by developing a set of objective performance measurement indicators that are related to the extent to which the Company's strategic objectives are achieved.

- A Summary on the Board's Efforts in Creating the Institutional Values for the Company's Employees:

The Company has policies and procedures that contribute in achieving the strategic objectives and promoting the employees' institutional values; in order to contribute in maintaining the Company's financial integrity.

Eleventh Rule
"Focus on the Importance of Social Responsibility"

- A Summary on the Development of a Policy that Ensures the Achievement of a Balance Between the Company's Objectives and the Community's Objectives:

For quite some time, the Mashaer Company has always been proactive in carrying out many initiatives in the social responsibility field, and the Company's Board has adopted a Social Responsibility Policy that aims to achieve a balance between the Company's objectives and the objectives that the community seeks to achieve; as the Mashaer Company seeks to improve the skills of its employees and develop their performance in a manner that suits the requirements of their jobs. Furthermore, the Company seeks – through the Human Resources Management – to obtain the resumes of the job seekers; in order to choose those who meet the required conditions to fight unemployment.

As part of its community initiatives, the Company makes field visits to orphanages or nursing homes from time to time; in order to provide them with moral support and inform them that others feel them, along with providing them with some souvenirs.

Fahad Abdullah Al-Saleh

Chairman of the Board of Directors

Consolidated Financial Statements

31 December 2019

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mashaer Holding Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

a) Impairment of investment in associates

The Group has investment in associates with a carrying value of KD 6,016,339 as at 31 December 2019. Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment provisions.

Impairment of investment in associates is significant to our audit as the management uses judgments and estimates to assess these investments for impairment. Accordingly, we have considered this as a key audit matter.

As part of our audit procedures, we assessed whether the management has identified any indications of impairment in its investees, including significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business also considering any changes in the investee's financial condition. We further assessed management's assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts to establish whether there are any indicators of impairment.

Additionally, we have also assessed the adequacy of the disclosures relating to Group's investment in associates in Note 10 to the consolidated financial statements.

b) Fair valuation of investment properties

Investment properties represent a significant part of the total assets of the Group and are measured at fair value of KD 19,935,584 as at 31 December 2019.

The fair value of Group's investment properties have been determined by external real estate appraiser. The determination of fair value of investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraiser's valuations. We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis. Further, we have considered the objectivity, independence and competence of the external real estate appraiser. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 9 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

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

Other information included in the Group's 2019 Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this 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 the Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

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

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

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

ABDULKARIM AL SAMDAN
LICENCE NO. 208-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

20 February 2020
Kuwait

Mashaer Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	*2019 KD*	*2018 KD*
Income			
Gain on sale of investment property	4	-	129,377
Rental income		3,264,666	3,096,225
Valuation losses from investment properties	9	(1,534,837)	(3,715,445)
Net investment income from financial assets	5	158,960	54,035
Share of results of associates	10	424,643	270,748
Reversal of provision no longer required	7	1,586,456	-
Net foreign exchange differences		(1,778)	1,878
Other income		107,094	110,721
Total income		4,005,204	(52,461)
Expenses			
Staff costs		(643,412)	(638,265)
General and administrative expenses		(388,086)	(292,793)
Real estate expenses		(419,051)	(608,530)
Amortisation of leasehold prepayment		(164,579)	(164,579)
Finance costs		(178,742)	(312,660)
Depreciation expense of furniture and equipment		(13,672)	(4,881)
Depreciation expense of right-of-use assets	19	(357,203)	-
Impairment losses and other provisions	6	(17,334)	(1,010,355)
Total expenses		(2,182,079)	(3,032,063)
Profit (loss) before tax and directors' remuneration		1,823,125	(3,084,524)
Tax claim provision	7	-	(1,027,845)
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")		(18,052)	-
National Labor Support Tax		(45,073)	-
Zakat		(20,394)	-
Taxation of overseas subsidiaries		(6,827)	-
Board of directors' remuneration		(54,000)	-
PROFIT (LOSS) FOR THE YEAR		1,678,779	(4,112,369)
Attributable to:			
Equity holders of the Parent Company		1,658,586	(4,095,277)
Non-controlling interests		20,193	(17,092)
		1,678,779	(4,112,369)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	8	9.26 Fils	(22.83) Fils

The attached notes 1 to 28 form part of these consolidated financial statements.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 KD	2018 KD
Profit (loss) for the year	1,678,779	(4,112,369)
Other comprehensive income (loss)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	703,208	(161,937)
Net other comprehensive profit (loss) that may be reclassified to profit or loss in subsequent periods	703,208	(161,937)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:		
Net gain (loss) on equity instruments designated at fair value through other comprehensive income	42,706	(343,735)
	42,706	(343,735)
Total other comprehensive income (loss) for the year	745,914	(505,672)
TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE YEAR	2,424,693	(4,618,041)
Attributable to:		
Equity holders of the Parent Company	2,308,384	(4,598,068)
Non-controlling interests	116,309	(19,973)
	2,424,693	(4,618,041)

The attached notes 1 to 28 form part of these consolidated financial statements.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 KD	2018 KD
ASSETS			
Non-current assets			
Furniture and equipment		22,512	6,986
Right-of-use assets	19	573,480	-
Investment properties	9	19,935,584	15,673,094
Investment in associates	10	6,016,339	8,904,801
Financial assets at fair value through comprehensive income	11	1,108,172	1,155,685
Accounts receivable and other assets	12	340,981	787,000
		27,997,068	26,527,566
Current assets			
Amounts due from related parties	21	13,332	337,012
Accounts receivable and other assets	12	1,724,902	2,036,971
Investment deposits	13	2,511,875	804,000
Cash and bank balances		1,130,269	406,889
		5,380,378	3,584,872
TOTAL ASSETS		33,377,446	30,112,438
EQUITY AND LIABILITIES			
Equity			
Share capital	14	17,942,989	17,942,989
Share premium	14	10,239,344	14,334,621
Statutory reserve	15	180,293	-
Voluntary reserve	15	180,293	-
Foreign currency translation reserve		(5,872,404)	(6,479,721)
Treasury shares	16	(74,944)	(15,008)
Treasury shares reserve		2,761	2,761
Fair value reserve		(562,971)	(605,452)
Retained earnings (accumulated losses)		1,298,000	(4,093,277)
Equity attributable to the equity holders of the Parent Company		23,333,361	21,086,913
Non-controlling interests		2,210,413	347,799
Total equity		25,543,774	21,434,712
Liabilities			
Non-current liabilities			
Tawarruq and Murabaha facilities	17	2,611,042	1,376,866
Employees' end of service benefits		321,397	281,864
Lease liabilities	19	12,556	-
		2,944,995	1,658,730
Current liabilities			
Tawarruq and Murabaha facilities	17	602,576	1,499,733
Amounts due to related parties	21	270,430	216,937
Accounts payable and other liabilities	18	3,671,271	5,302,326
Lease liabilities	19	344,400	-
		4,888,677	7,018,996
Total liabilities		7,833,672	8,677,726
TOTAL EQUITY AND LIABILITIES		33,377,446	30,112,438

Fahad Abdullah Al-Saleh
Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Equity attributable to the equity holders of the Parent Company											
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign currency translation reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Retained earnings / Accumulated (losses) KD*	*Sub-Total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2019	17,942,989	14,334,621	-	-	(6,479,721)	(13,008)	2,761	(605,452)	(4,095,277)	21,086,913	347,799	21,434,712
Profit for the year	-	-	-	-	-	-	-	-	1,658,586	1,658,586	20,193	1,678,779
Other comprehensive income for the year	-	-	-	-	607,317	-	-	42,481	-	649,798	96,116	745,914
Total comprehensive income for the year	-	-	-	-	607,317	-	-	42,481	1,658,586	2,308,384	116,309	2,424,693
NCI arising on business combination Note (3)	-	-	-	-	-	-	-	-	-	-	1,746,305	1,746,305
Transfer to reserve (Note 15)	-	-	180,293	180,293	-	-	-	-	(360,586)	-	-	-
Purchase of treasury shares	-	-	-	-	-	(61,936)	-	-	-	(61,936)	-	(61,936)
Extinguishment of accumulated losses (Note 14)	-	(4,095,277)	-	-	-	-	-	-	4,095,277	-	-	-
At 31 December 2019	**17,942,989**	**10,239,344**	**180,293**	**180,293**	**(5,872,404)**	**(74,944)**	**2,761**	**(562,971)**	**1,298,000**	**23,333,361**	**2,210,413**	**25,543,774**
As at 1 January 2018 (as previously reported)	17,942,989	20,154,456	443,293	-	(6,317,896)	(13,008)	2,761	-	(6,263,128)	25,949,467	367,772	26,317,239
Impact on adopting IFRS 9	-	-	-	-	-	-	-	(264,486)	-	(264,486)	-	(264,486)
Restated opening balance under IFRS 9	17,942,989	20,154,456	443,293	-	(6,317,896)	(13,008)	2,761	(264,486)	(6,263,128)	25,684,981	367,772	26,052,753
Loss for the year	-	-	-	-	-	-	-	-	(4,095,277)	(4,095,277)	(17,092)	(4,112,369)
Other comprehensive loss for the year	-	-	-	-	(161,825)	-	-	(340,966)	-	(502,791)	(2,881)	(505,672)
Total comprehensive (loss) income for the year	-	-	-	-	(161,825)	-	-	(340,966)	(4,095,277)	(4,598,068)	(19,973)	(4,618,041)
Extinguishment of accumulated losses	-	(5,819,835)	(443,293)	-	-	-	-	-	6,263,128	-	-	-
At 31 December 2018	17,942,989	14,334,621	-	-	(6,479,721)	(13,008)	2,761	(605,452)	(4,095,277)	21,086,913	347,799	21,434,712

The attached notes 1 to 28 form part of these consolidated financial statements.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	***2019 KD***	*2018 KD*
OPERATING ACTIVITIES			
Profit (loss) before tax		**1,823,125**	(4,112,369)
Adjustments to reconcile profit (loss) before tax to net cash flows:			
Provision for employees' end of service benefits		**39,930**	98,713
Gain on sale of investment properties	4	**-**	(129,377)
Net investment income from financial assets	5	**(158,960)**	(54,035)
Revaluation losses from investment properties	9	**1,534,837**	3,715,445
Share of results of associates	10	**(424,643)**	(270,748)
Net foreign exchange differences		**1,778**	(1,878)
Other income		**(62,626)**	-
Amortisation of lease prepayments		**164,579**	164,579
Finance costs		**178,742**	312,660
Impairment losses and other provisions	6	**17,334**	1,010,355
Reversal of provision no longer required		**(1,586,456)**	-
Depreciation of furniture and equipment		**13,672**	4,881
Depreciation of right-of-use assets	19	**357,203**	-
		1,898,515	738,226
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**574,397**	566,591
Accounts payable and other liabilities		**(682,465)**	777,061
Amounts due from related parties		**560,295**	91,671
Amounts due to related parties		**53,493**	(18,508)
Cash flows from operations		**2,404,235**	2,155,041
Employees' end of service benefits paid		**(397)**	(123,693)
Net cash flows from operating activities		**2,403,838**	2,031,348
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**-**	(4,245)
Proceeds from sale of investment properties	9	**-**	344,188
Capital expenditure on investment properties		**(8,550)**	-
Cash acquired on business combination		**31,511**	-
Net movement of investment deposits		**(1,612,589)**	(118,292)
Dividends received from associates	10	**-**	786,558
Proceeds from redemption of investment at FVOCI		**152,845**	-
Income from investment deposit and dividends received		**158,960**	54,035
Net cash flows (used in) from investing activities		**(1,277,823)**	1,062,244
FINANCING ACTIVITIES			
Finance costs paid		**(178,742)**	(312,660)
Net repayment of tawarruq and murabaha facilities		**337,019**	(2,875,489)
Payment of principal portion of lease liabilities	19	**(573,727)**	-
Purchase of treasury shares		**(61,936)**	-
Net cash flows used in financing activities		**(477,386)**	(3,188,149)
NET INCREASE (DECREASE) IN CASH AND BANK BALANCES		**648,629**	(94,557)
Foreign currency translation adjustments		**74,751**	(10,626)
Cash and bank balances at 1 January		**406,889**	512,072
CASH AND BANK BALANCES AT 31 DECEMBER		**1,130,269**	406,889
Non-cash items excluded from the statement of cash flows:			
Transitional adjustment to lease liabilities on adoption of IFRS 16		**930,683**	-
Transitional adjustment to right-of-use of assets on adoption of IFRS 16		**(930,683)**	-
Transitional adjustment to fair value reserve on adoption of IFRS 9		**-**	264,486

The attached notes 1 to 28 form part of these consolidated financial statements.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

1. CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

Mashaer Holding Company K.S.C.P. (the "Parent Company") is a Kuwaiti public shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded on Boursa Kuwait.

The Parent Company's major shareholder is A'ayan Leasing and Investment Company K.S.C.P, a shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded.

The consolidated financial statements of the Parent Company and subsidiaries (collectively the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 20 February 2020 and the shareholders at the annual general assembly meeting (AGM) have the power to amend these consolidated financial statements.

The registered address of the Parent Company is located at Gravity Tower, Ahmad Al Jaber street, Sharq, Kuwait and its postal address is P.O. Box 23110, Safat 13092, State of Kuwait.

The Parent Company is principally engaged in establishing companies in Kuwait and abroad, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialised financial institutions.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 21.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries for the year ended 31 December 2019. Details of the subsidiaries included in the consolidated financial statements are as follows:

Name	*Country of Incorporation*	*% equity interest*		*Principal activities*
		2019	*2018*	
Masa'a Real Estate Company – K.S.C. (Closed)	Kuwait	**99.01**	98.96	Real estate
Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed) [1]	Kuwait	**97**	97	Hajj & Umrah services
Masa'a Real Estate Egypt E.S.C. [1]	Egypt	**98**	98	Real estate
Dar Al-Masa'a Real Estate S.S.C. [1]	K.S.A.	**97**	97	Real estate
Mashaer Kuwait Umra Trip organizing Company W.L.L.	Kuwait	**100**	100	Umra Services
The Spot Real Estate Company [3]	Egypt	**65**	-	Real estate

a) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 10.

Name	*Country of Incorporation*	*% equity interest*		*Principal activities*
		2019	*2018*	
Hajar Tower Real Estate Company – K.S.C. (Closed) [2]	Kuwait	**16**	16	Real estate
Rawahel Holding Company K.S.C. (Closed) [2]	Kuwait	**18.53**	18.53	Transport services
Qiblah Travel & Tourism Company K.S.C. (Closed)	Kuwait	**40.46**	40.46	Travel and tour services
The Spot Real Estate Company [3]	Egypt	-	65	Real estate

[1] The Group effective interest in the subsidiaries is 100%. The Group directly holds the shares in the respective subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary.

[2] The Group owns less than 20% of the voting rights of the investee, however the Group determined that it has significant influence because it has meaningful representation on the board of the investee.

[3] The Parent Company holds 65% equity interest in The Spot Real Estate Company. During the year, the Group obtained control over Spot because the contractual and decision-making rights held by the other investors, that previously prevented the Parent Company from controlling the investee, have elapsed (Note 10).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and financial assets at fair value through other comprehensive income which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is also the Parent Company's functional and presentation currency.

2.2 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

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

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

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	KD
Assets	
Right-of-use assets	930,683
Liabilities	
Lease liabilities	930,683

a) Nature of the effect of adoption of IFRS 16
The Group has lease contracts for various properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under accounts receivable and prepayments and accounts payable and accruals, respectively.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16 'Leases' (continued)

b) Summary of new accounting policies (continued)

- *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the borrowing rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000 (KD 1,500)). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

- *Significant judgement in determining the lease term of contracts with renewal options*

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

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Amendments to IFRS 3: *Definition of a Business*

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the

Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Mashaer Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated using the straight line to write down the cost of furniture and equipment to their residual values over their estimate useful lives as follows:

Office equipment & computers	3 years
Furniture & fixtures	5 years

An item of furniture and equipment are derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation of these assets commences when the assets are ready for their intended use.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

Interest in investment in associates
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate in the statement of profit or loss.

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

Mashaer Holding Company K.S.C.P. and its Subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include tawarruq payables, amounts due to related parties and accounts payable and accruals.

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

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including tawarruq payables)

The Group has not designated any financial liability as at fair value through profit or loss as financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost
Tawarruq payables
Tawarruq payables represent amounts payable on a deferred settlement basis for assets purchased under tawarruq arrangements. Tawarruq payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

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

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

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

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

Impairment of financial assets
Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

For bank balances, trade receivables and other receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the balances and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Current versus non-current classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Investment deposits

Investment deposits represent deposits with banks which are due after three months from the placement date and earn profit.

Employees end of service benefits

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 in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying 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 of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. 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.

Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends
Income from dividends is recognised when the right to receive payment is established.

Dividend distribution
The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the Shareholders at the annual general assembly. A corresponding amount is recognised directly in equity. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

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

Revenue recognition
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.

Rental income
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises.

Gain or loss arising on disposal of investments
Gain or loss arising on disposal of investments is calculated as the difference between the net disposal proceeds and the carrying amount of the investments and included in the consolidated statement of profit or loss, in the year in which the investment is disposed. Gain or loss on disposal of investments is recognised when the significant risks and rewards of ownership of the investments have passed to the buyer.

Income from investment deposits
Income from investment deposits is recognised on a time proportionate basis.

Finance costs
Finance cost are calculated and recognised on a time proportionate basis taking into account the principal finance balance outstanding and the cost rate applicable. Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Capitalisation of financing cost ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

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

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

Segmental information
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The Group presents the segmental information based on its business segments and geographical locations of its operations.

Leases (Policy applicable before 1 January 2019)
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to usethe asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (Policy applicable before 1 January 2019) (continued)

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases (Policy applicable as of 1 January 2019)
The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies - Impairment of non-financial assets.

ii) Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (Policy applicable as of 1 January 2019) (continued)

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of real estate properties
Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

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

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

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

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operations if a replacement is not readily available.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxes. Given the range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 9.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

3 BUSINESS COMBINATIONS

The Parent Company holds 65% equity interest in The Spot Real Estate Company ("Spot"), an associate previously accounted for under the equity method since the Parent Company was precluded from exercising control over the investee due to contractual rights held by the other investors in the investee. On 9 January 2019 ("acquisition date"), the Group obtained control over Spot because the contractual and decision-making rights held by the other investors, that previously prevented the Parent Company from controlling the investee, have elapsed. The Parent Company accounted for the business combination using the acquisition method at the acquisition date.

The fair values of the identifiable assets and liabilities of Spot as at the acquisition date were:

	Fair value recognised on acquisition KD
Assets	
Cash and bank balances	31,511
Investment deposits	95,286
Investment property	5,119,550
Other assets	236,615
Total assets	**5,482,962**
Liabilities	
Other liabilities	**(493,520)**
Equity	**4,989,442**
Non-controlling interest measured at fair value	(1,746,305)
Net assets acquired	**3,243,137**
Represented by:	
Fair value of previously held interest	3,243,137
Consideration transfered	-
	3,243,137
Analysis of cash flows on acquisition	
Cash acquired on acquisition	31,511
Consideration paid	-
Net cash inflow on acquisition	**31,511**

Had this business combination taken place at the beginning of the year, net profit for the year would not be significantly different.

4 GAIN ON SALE OF INVESTMENT PROPERTY

	2019 KD	*2018 KD*
Sale of real estate property	-	344,189
Cost of real estate property sold	-	(214,812)
	-	129,377

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5 NET INVESTMENT INCOME FROM FINANCIAL ASSETS

	2019 KD	2018 KD
Dividend income	6,000	-
Income from investment deposits and others	152,960	54,035
	158,960	54,035

6 IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2019 KD	2018 KD
Impairment losses on investment in associates (Note 10)	-	16,840
Allowance for expected credit losses on trade receivables (Note 12)	17,334	24,230
Provision for legal claims	-	969,285
	17,334	1,010,355

7 REVERSAL OF PROVISIONS NO LONGER REQUIRED

During the year, reversal of provisions no longer required mainly represents reversal of tax claim provision of KD 1,374,569 and other unutilised provisions no longer required of KD 211,887.

Tax claim provision
On 2 February 2016, the Group received a demand notice for SAR 25,105,040 from the General Authority of Zakat and Tax ("GAZT") – formerly known as the Department of Zakat and Income Tax ("DZIT"), in the Kingdom of Saudi Arabia ("KSA") claiming capital gains tax and delay penalties ("tax claim") for a sale transaction of a property partly owned by the Group. Accordingly, the management of the Group appointed a tax advisor in KSA to review the tax claim and filed an objection appeal with GAZT.

Based on the advice received from the tax advisor, the management of the Parent Company estimated and recorded a potential tax liability, including the aforementioned tax claim amounting to KD 2,058,614 in the consolidated statement of financial position as of the financial year ended 31 December 2018, representing the full amount of tax liability claimed by GAZT.

During the current period, the Group received an offer from GAZT to settle the tax claim (the "settlement offer") for an amount of SAR 8,450,000 (equivalent to KD 684,046). The board of directors of the Parent Company in their meeting dated 9 May 2019 resolved based on the recommendation of the tax advisor, to accept the settlement offer for the best interest of the Group. Accordingly, on 27 June 2019 the Group has settled the full amount of the tax claim as per the settlement offer. Accordingly, the Group reversed the excess tax provision of SAR 16,655,040 (equivalent to KD 1,374,569) related to the tax claim in the statement of profit or loss during the year ended 31 December 2019.

8 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit/loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit/loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2019	2018
Profit (loss) for the year attributable to equity holders of the Parent Company (KD)	1,658,586	(4,095,277)
Weighted average number of shares outstanding during the year (excluding treasury shares)	179,074,921	179,376,890
Basic and diluted EPS (fils)	9.26	(22.83)

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9 INVESTMENT PROPERTIES

	2019 KD	2018 KD
At 1 January	15,673,094	19,603,350
Capital expenditure	8,550	-
Arising on business combination (Note 3)	5,119,550	
Disposals	-	(214,811)
Exchange differences	669,227	-
Changes in fair value [1]	(1,534,837)	(3,715,445)
At 31 December	**19,935,584**	15,673,094

The Group's investment properties are located in the following geographical locations:

	2019 KD	2018 KD
Kuwait	9,750,000	9,750,000
Other MENA countries	10,185,584	5,923,094
	19,935,584	15,673,094

Investment properties amounting to KD 9,750,000 (2018: KD 9,750,000) are pledged as security to fulfill collateral requirements of certain bank borrowings. (Note 17).

[1] The valuation of the investment properties of KD 18,106,386 (2018: KD 12,336,439), comprising of residential properties, were performed by two independent valuers with recognised and relevant professional qualification and recent experience of the location and category of investment properties being valued. Fair value of the investment properties is arrived at by using the market comparison approach. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decrease of KD 27,380 compared to its carrying values as at 31 December 2019 (2018: decrease of KD 1,985,424).

Investment properties include an amount of KD 1,829,198 (2018: KD 3,336,655) representing the cost of construction of one hotel located in the Kingdom of Saudi Arabia which is leased in the ordinary course of business.

During the year, this property was revalued by one independent valuer resulting in revaluation loss of KD 1,507,457 (2018: KD 1,730,021). The fair value is determined based on a discounted cash flow method, using contractually fixed cash flows for 1.6 years and discount rate of 12.34%. This property is classified in level 3 of fair value hierarchy.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis at 31 December 2019 and 2018 are disclosed in Note 27.2

10 INVESTMENT IN ASSOCIATES

Details of the Group's associates are as follows:

	2019 KD	2018 KD
Hajar Tower Real Estate Company – K.S.C. (Closed) – ("Hajar") *	2,880,465	2,273,262
Rawabel Holding Company K.S.C. (Closed) – ("Rawabel")	3,135,874	3,388,222
The Spot Real Estate Company ('Spot') **	-	3,243,317
	6,016,339	8,904,801

* The Group's equity interest in Hajar is less than 20% of the voting rights; however, the Group has determined that it has significant influence over this entity because it has meaningful representation on the board of the investee.

** During the year, the Group obtained control over Spot because the contractual and decision-making rights held by the other investors, that previously prevented the Parent Company from controlling the investee, have elapsed (Note 3).

The above associates are private entities that are not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

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10 INVESTMENT IN ASSOCIATES (continued)

Shares of investment in associate with a carrying value of KD Nil (2018: KD 2,055,838) are pledged as a security to fulfill collateral requirements of bank borrowings (Note 17).

The associates had no contingent liabilities or capital commitments as at 31 December 2018 or 2019.

Impairment of associates

During the current year, the Group has not recorded any impairment losses on investment in associates (2018: KD 16,840).

The management has carried out the assessment of Group's investment in associates to identify any indicators of impairment. The management has considered factors such as changes in the investee's financial condition, any significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business. However, the management concluded there are no indicators for impairment.

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10 **INVESTMENT IN ASSOCIATES (continued)**

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

	Hajar		*Rawahel*		*Spar*		*Qiblah Travel and Tourism Company K.S.C. (Closed)*		*Total*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*	***2019 KD***	*2018 KD*
Current assets	**24,921,522**	20,893,956	**4,769,698**	5,379,556	**-**	5,145,580	**-**	250,006	**29,691,220**	31,669,098
Non-current assets	**33,576,957**	35,977,148	**28,510,299**	29,404,642	**-**	337,383	**-**	197,351	**62,087,256**	65,916,524
Current liabilities	**(27,763,526)**	(29,195,349)	**(3,644,777)**	(809,688)	**-**	(493,244)	**-**	(251,408)	**(31,408,303)**	(30,749,689)
Non-current liabilities	**(12,732,046)**	(13,467,860)	**(12,709,184)**	(15,686,413)	**-**	-	**-**	(154,327)	**(25,441,230)**	(29,308,600)
Equity	**18,002,907**	14,207,895	**16,926,036**	18,288,097	**-**	4,989,719	**-**	41,622	**34,928,943**	37,527,333
Group's share in equity %	**16%**	16%	**18.53%**	18.53%	**-**	65%	**-**	40.46%	**-**	-
Group's share in equity	**2,880,465**	2,273,262	**3,135,874**	3,388,222	**-**	3,243,317	**-**	16,840	**6,016,339**	8,921,641
Impairment losses	**-**	-	**-**	-	**-**	-	**-**	(16,840)	**-**	(16,840)
Group's carrying amount	**2,880,465**	2,273,262	**3,135,874**	3,388,222	**-**	3,243,317	**-**	-	**6,016,339**	8,904,801
Revenue	**18,102,058**	15,720,695	**10,408,592**	10,253,981	**-**	142,632	**-**	534,863	**28,510,650**	26,652,171
Profit (loss)	**3,795,016**	1,539,749	**(985,375)**	993,432	**-**	(67,571)	**-**	(286,077)	**2,809,641**	2,179,533
Other comprehensive loss	**-**	-	**-**	(815,650)	**-**	-	**-**	-	**-**	(815,650)
Dividends received from associate	**-**	642,048	**-**	144,510	**-**	-	**-**	-	**-**	786,558
Group's share of results for the year	**607,203**	246,360	**(182,560)**	184,052	**-**	(43,921)	**-**	(115,743)	**424,643**	270,748

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10 INVESTMENT IN ASSOCIATES (continued)

A reconciliation of the above summarised financial information to the carrying value of the associates is set out below:

	Hajar KD	*Rawahel KD*	*Spot KD*	*Total 2019 KD*	*Total 2018 KD*
Reconciliation to carrying amounts:					
Opening net assets 1 January	2,273,262	3,388,222	3,243,317	8,904,801	9,588,762
Share of profit (loss)	607,203	(182,560)	-	424,643	270,748
Share of other comprehensive loss	-	-	-	-	(151,140)
Arising on business combination (Note 3)	-	-	(3,243,317)	(3,243,317)	-
Dividends received	-	-	-	-	(786,558)
Impairment losses	-	-	-	-	(16,840)
Exchange differences	-	(69,788)	-	(69,788)	(171)
At 31 December	2,880,465	3,135,874	-	6,016,339	8,904,801

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11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 *KD*	*2018* *KD*
Financial assets at fair value through other comprehensive income:		
Local unquoted equity investments	60,632	122,249
Foreign unquoted equity investments	1,047,540	1,033,436
	1,108,172	1,155,685

The hierarchy for determining and disclosing the fair values of financial investments by valuation techniques is presented in Note 27.1.

12 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2019 *KD*	*2018* *KD*
Financial assets		
Trade receivables	610,494	592,252
Other receivables *	953,978	1,608,098
	1,564,472	2,200,350
Non-financial assets		
Prepayments	501,411	623,621
	2,065,883	2,823,971

The net carrying value of trade receivables is considered reasonable approximation of fair value.

Note 25.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

Set out below is the movement for expected credit losses of trade receivables:

	2019 *KD*	*2018* *KD*
Opening provision for impairment of trade receivables	698,785	674,555
Allowance recognised in profit or loss during the year	17,334	24,230
At 31 December	716,119	698,785

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

* Other receivables include an amount of KD 890,359 (2018: KD 1,587,000) placed by the Group with a third party related to the purchase of a property. On 29 February 2012, the Group entered into an agreement with the counterparty to receive fixed rental income of KD 516,000 over a period of 42 months and the principal would be repaid at maturity on 31 August 2015. The terms of the agreement provided the third party with an option to repurchase the property by making early repayments at any point of time during the tenure of the agreement. On 1 September 2015, the third party repurchased the property and thereby extended the tenor of the repayment (i.e. KD 2,450,000) over the next two years.

On 29 November 2018, the Group renewed the repurchase agreement and extended the tenor of the remaining repayment amount of KD 1,587,000 payable in monthly instalments of KD 50,000 over the remaining period of 30 months with a final maturity on July 2021. Accordingly, the Group classified an amount of KD 549,378 (2018: KD 800,000) as current and KD 340,981 (2018: KD 787,000) as non-current.

13 INVESTMENT DEPOSITS

These represent deposits placed with local and foreign banks having original maturity period of more than three months. Deposits with local banks carry an average rate of return of 2.875% (2018: 2.5 %) per annum and deposits with foreign banks carry an average rate of return of 12.75% (2018: 12.75 %) per annum.

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14 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2019	*2018*	*2019 KD*	*2018 KD*
Shares of 100 fils each (paid in cash)	179,429,890	179,429,890	17,942,989	17,942,989

(b) Share premium
The share premium is not available for distribution.

The shareholders of the Parent company at the AGM held on 1 May 2019 resolved to extinguish accumulated losses of KD 4,095,277 through partially offsetting share premium.

15 RESERVES

15.1 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS, NLST, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

15.2 Voluntary reserve

In accordance with Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a maximum of 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration should be transferred to the voluntary reserve subject to Board of Directors' approval.

16 TREASURY SHARES

	2019	*2018*
Number of treasury shares	963,405	53,000
Percentage of treasury shares (%)	0.54%	0.03%
Cost of treasury shares (KD)	74,944	13,008
Market value of treasury shares (KD)	74,760	4,452
Weighted average market value per treasury share (fils)	77	84

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

17 TAWARRUQ AND MURABAHA FACILITIES

	2019 KD	*2018 KD*
Tawarruq and Murabaha facilities	3,731,452	2,928,935
Less: deferred finance costs	(517,834)	(52,336)
	3,213,618	2,876,599
Current	602,576	1,499,733
Non-current	2,611,042	1,376,866
	3,213,618	2,876,599

17 TAWARRUQ AND MURABAHA FACILITIES (continued)

Tawarruq and Murabaha facilities aggregating to KD 3,213,618 (2018: KD 2,876,599) are secured against investment properties (Note 9).

Tawarruq and Murabaha facilities are all denominated in KD and carry an effective profit rate in the range of 5.00 % to 6.26% (2018: 5.5 % to 6.26%).

18 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019 *KD*	*2018* *KD*
Accounts payable	87,738	73,488
Accrued expenses	1,850,965	3,433,629
Dividends payable	134,374	151,184
Unearned revenue	1,598,194	1,644,025
	3,671,271	5,302,326

19 LEASES

Group as a lessee

The Group has lease contracts for various items of property used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of property with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Building *KD*
As at 31 December 2018	-
Effect of adopting IFRS 16 (Note 2.2)	930,683
At 1 January 2019 (restated)	930,683
Additional leases recognised	-
Depreciation expense	(357,203)
Right-of-use assets as at 31 December 2019	573,480

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	KD
As at 31 December 2018	-
Effect of adopting IFRS 16	930,683
At 1 January 2019 (restated)	930,683
Finance cost on lease liabilities	-
Payments	(573,727)
Lease liabilities as at 31 December 2019	356,956

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19 LEASES (continued)

	2019 *KD*
Current	344,400
Non-current	12,556
	356,956

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 6%.

The maturity analysis of lease liabilities is disclosed in Note 25.3.

The following are the amounts recognised in profit or loss:

2019 – Leases under IFRS 16	*2019* *KD*
Depreciation expense of right-of-use assets	357,203
Expense relating to short-term leases (included in administrative expenses)	56,126
Total amount recognised in profit or loss	413,329

2018 – Operating leases under IAS 17	*2018* *KD*
Rent expense (included in real estate expenses)	359,420
Total amount recognised in profit or loss	359,420

20 MATERIAL PARTLY-OWNED SUBSIDIARY

The Group has concluded that The Spot Real Estate Company ("Spot") is the only subsidiary with non-controlling interests that are material to the Group. Financial information of Spot is provided below:

Proportion of equity interest held by non-controlling interest:

Name of company	*Country of incorporation and operation*	*2019*	*2018*
Spot	Egypt	35%	-

	Accumulated balances of material non-controlling interest		*Profit allocated to material non-controlling interest*	
	2019 *KD*	*2018* *KD*	*2019* *KD*	*2018* *KD*
Spot	1,854,276	-	522	-

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20 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

The summarised financial information of this subsidiary, based on amounts before inter-company eliminations, is provided below.

Summarised statement of comprehensive income for the year ended 31 December 2019

	KD
Revenue	249,371
Profit for the year	1,491
Other comprehensive income	-
Total comprehensive income	1,491
Attributable to non-controlling interest	522

Summarised statement of financial position as at 31 December 2019

	KD
Current assets	402,899
Non-current assets	5,749,610
Total assets	**6,152,509**
Current liabilities	560,249
Non-current liabilities	-
Total liabilities	**560,249**
Total equity	**5,592,260**
Attributable to:	
Equity holders of the Parent Company	3,737,984
Non-controlling interests	1,854,276

Summarised statement of cash flows for the year ended 31 December 2019

	KD
Operating activities	71,036
Investing activities	(46,550)
Financing activities	-
Net increase in cash and cash equivalents	**24,486**

21 RELATED PARTY DISCLOSURES

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

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	2019	*2018*
Consolidated statement of financial position:	***KD***	*KD*
Amounts due from related parties		
Associates	**13,332**	337,012
Amounts due to related parties		
Associates	**262,330**	208,837
Other related parties	**8,100**	8,100
	270,430	216,937

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21 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

	2019 *KD*	*2018* *KD*
Key management compensation:		
Salaries and short term benefits	159,859	183,193
Employees' end of service benefits	20,818	32,490
	180,677	215,683

Terms and conditions of transactions with related parties
Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2019, the Group has not recorded any allowance for expected credit losses relating to amounts owed by related parties (2018: KD Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

22 DISTRIBUTIONS MADE AND PROPOSED

	2019 *KD*	*2018* *KD*
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2019: 5 fils per share (2018: Nil fils per share)	892,332	-

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

23 SEGMENT INFORMATION

The Group's primary basis for segmental reporting is by business segments which is subject to risks and rewards that are different from those of other segments. The business segments comprises of:

- *Real estate activities* – Investments in real estate properties either by way of purchase, sale, development and renting of residential and commercial properties (including land and land development) in various geographical locations.
- *Haj and Umrah services – Ticketing, travel and logistic services relating to Haj and Umrah.*
- *Investment activities - Establishing companies in Kuwait and aboard, lending to subsidiaries and associates and* investing excess cash flows in investments managed by specialized financial institutions.

The Board of Directors monitors the operating results of each business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Accordingly, during the year the management has changed the segmental information based on their business segments as follows:

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23 SEGMENT INFORMATION (continued)

	31 December 2019				*31 December 2018*			
	Real estate activities KD	*Hajj & Umrah services KD*	*Investment activities*	*Total KD*	*Real estate activities KD*	*Hajj & Umrah services KD*	*Investment activities*	*Total KD*
Gain on sale of investment property	-	-	-	-	129,377	-	-	129,377
Rental income	3,256,641	-	8,025	3,264,666	3,087,370	-	8,855	3,096,225
Valuation losses from investment properties	(1,507,457)	-	(27,380)	(1,534,837)	(2,847,901)	-	(867,544)	(3,715,445)
Net investment income from financial assets	80,784	-	78,176	158,960	51,878	(1,799)	3,956	54,035
Share of results of associates	607,203	-	(182,560)	424,643	202,439	-	68,309	270,748
Net foreign exchange differences	(1,864)	-	86	(1,778)	1,903	(75)	50	1,878
Reversal of provisions no longer required	846,303	-	740,153	1,586,456	-	-	-	-
Other income	106,140	36	918	107,094	109,673	946	102	110,721
Total income	3,387,750	36	617,418	4,005,204	734,739	(928)	(786,272)	(52,461)
Staff costs	(117,092)	-	(526,320)	(643,412)	(101,340)	-	(536,925)	(638,265)
Administrative expenses	(171,410)	(10,451)	(206,225)	(388,086)	(124,707)	(6,318)	(161,768)	(292,793)
Real estate expense	(419,051)	-	-	(419,051)	(606,261)	-	(2,269)	(608,530)
Amortisation of leasehold prepayment	(164,579)	-	-	(164,579)	(164,579)	-	-	(164,579)
Finance costs	(83,032)	-	(95,710)	(178,742)	(42,437)	-	(270,223)	(312,660)
Depreciation expense:								
- Furniture and equipment	(12,409)	-	(1,263)	(13,672)	(3,017)	-	(1,864)	(4,881)
- Right-of-use assets	(357,203)	-	-	(357,203)	-	-	-	-
Impairment losses and other provisions	(17,334)	-	-	(17,334)	(863,211)	-	(147,144)	(1,010,355)
Tax claim provision	-	-	-	-	(474,390)	-	(553,455)	(1,027,845)
Taxation of overseas subsidiaries	(6,827)	-	-	(6,827)	-	-	-	-
KFAS, NLST, Zakat and directors' remuneration	(40,782)	-	(96,737)	(137,519)	-	-	-	-
Total expenses and other charges	(1,389,719)	(10,451)	(926,255)	(2,326,425)	(2,379,942)	(6,318)	(1,673,648)	(4,059,908)
Profit (loss) for the year	1,998,031	(10,415)	(308,837)	1,678,779	(1,645,203)	(7,246)	(2,459,920)	(4,112,369)

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23 SEGMENT INFORMATION (continued)

	Real estate activities KD	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
31st December 2019				
Segment assets	25,701,695	7,629	7,668,122	33,377,446
Segment liabilities	6,649,143	48,470	1,136,059	7,833,672
31 December 2018				
Segment assets	19,857,712	13,332	10,241,394	30,112,438
Segment liabilities	4,295,221	47,944	4,334,561	8,677,726

During 2016, the shareholders of Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed), a subsidiary, have decided to temporarily suspend the business operations, until further notice due to unfavourable market conditions.

24 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITES

	1 January 2019 KD	*Cash flows KD*	*Others KD*	*31 December 2019 KD*
Tawarruq and murabaha payables	2,876,599	158,277	178,742	3,213,618
Lease liabilities	930,683	(573,727)	-	356,956
	3,807,282	(415,450)	178,742	3,570,574

25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's achieving profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance and analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

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

The most significant financial risks to which the Group is exposed to are described below.

25.1 Market risk

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

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

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25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.1 Market risk (continued)

a) Profit rate risk
Profit rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market profit rate.

b) Equity price risk
The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) (Note 11). The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's senior management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to unquoted equity investments at fair value was KD 1,108,172 (2018: KD 1,155,685). Sensitivity analysis of these investments have been provided in Note 27.1.

c) Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements.

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and (liabilities).

	2019 KD	*2018 KD*
Saudi Riyal (SAR)	**3,972,295**	5,513,451
Egyptian Pounds (EGP)	**(372,709)**	(2,904,403)
	3,599,586	2,609,048

The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the Saudi Riyal (SAR) and Egyptian Pound (EGP), with all other variables held constant, on the consolidated statement of profit or loss (due to the fair value of currency sensitive assets and liabilities).

	Change in currency rate (+/-)	*Net effect on profit (+/-)*	
		2019 KD	*2018 KD*
Currency			
SAR	5%	**91,513**	168,812
EGP	5%	**54,460**	55,541

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

The Group is exposed to credit risk on its bank balances and investment deposits, amounts due from related parties and trade and other receivables.

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25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 Credit risk (continued)

Maximum exposure to credit risk
The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	2019 *KD*	*2018* *KD*
Accounts receivable and other assets	**1,564,472**	2,200,350
Amounts due from related parties	**13,332**	337,012
Investment deposits	**2,511,875**	804,000
Bank balances	**1,130,269**	406,889
	5,219,948	3,748,251

The maximum credit exposure to a single counter party as of 31 December was KD 1,700,000 (2018: KD 1,587,000), which is secured by an investment property registered in the name of the Group and can be called upon if the counterparty is in default under the terms of the agreement.

Information on other significant concentrations of credit risk is as follows:

	Domestic *KD*	*International* *KD*	*Total* *KD*
At 31 December 2019			
Accounts receivable and other assets	**965,066**	**599,406**	**1,564,472**
Amounts due from related parties	**13,332**	**-**	**13,332**
Investment deposits	**2,050,000**	**461,875**	**2,511,875**
Bank balances	**918,837**	**211,432**	**1,130,269**
	3,947,235	**1,272,713**	**5,219,948**
At 31 December 2018			
Accounts receivable and other assets	1,619,267	581,083	2,200,350
Amount due from related parties	29,000	308,012	337,012
Investment deposits	600,000	204,000	804,000
Bank balances	375,815	31,074	406,889
	2,624,082	1,124,169	3,748,251

Bank balances and investment deposits
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Amounts due from related parties
With respect to amounts due from related parties, the Group has assessed its related parties to have low credit risk based on its strong liquidity position to meet its contractual cash flow obligations in the near term. Accordingly, the Group does not expect to incur any significant credit losses on amounts owed by its related parties.

Trade and other receivables
The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements.

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. As at

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25 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

25.2 Credit risk (continued)

Assessment of expected credit losses (continued)
the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts.

25.3 Liquidity risk
Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by the senior management of the Parent Company. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Up to 1 month KD	*1-3 months KD*	*3-12 months KD*	*Over 1 year KD*	*Total KD*
As at 31 December 2019					
Accounts payable and other liabilities	-	100,209	1,972,868	-	2,073,077
Amounts due to related parties	8,945	9,949	251,536	-	270,430
Tawarruq and murabaha facilities	61,281	122,562	551,528	2,996,081	3,731,452
Lease liabilities	-	-	344,400	12,556	356,956
Total undiscounted liabilities	70,226	232,720	3,120,332	3,008,637	6,431,915
As at 31 December 2018					
Accounts payable and other liabilities	259,971	497,652	2,900,678	-	3,658,301
Amounts due to related parties	8,970	1,000	206,967	-	216,937
Tawarruq and murabaha facilities	19,096	38,192	1,472,692	1,398,955	2,928,935
Total undiscounted liabilities	288,037	536,844	4,580,337	1,398,955	6,804,173

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio, and is calculated as net debt by total capital plus net debt. The Group includes within net debt, Tawarruq and Murabaha payables less balances with banks and short-term deposits. Capital represents equity attributable to the equity holders of the Parent Company.

	2019 *KD*	*2018* *KD*
Tawarruq and Murabaha payables	3,213,618	2,876,599
Less: Cash and bank balances	(1,130,269)	(406,889)
Less: Investment deposits	(2,511,875)	(804,000)
Net (assets) debt	(428,526)	1,665,710
Total capital	25,543,774	21,434,712
Capital and net debt	25,115,248	23,100,422
Gearing ratio	(1.70%)	7.21%

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

27 FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

27.1 Financial instruments

The fair value of unquoted investments at fair value through other comprehensive income at 31 December 2019 amounting to KD 1,108,172 (2018: KD 1,155,685) is categorised within level 3 of the fair value hierarchy.

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

Valuation techniques

The Group invests in equity of companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. This approach utilises price multiples of relevant sectors. The discounted multiple is applied to the corresponding relevant measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as level 3.

For all other financial assets and liabilities, management assessed that the carrying value is a reasonable approximation of fair value.

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27 FAIR VALUE MEASUREMENT (continued)

27.1 Financial instruments (continued)

Reconciliation of Level 3 fair values
The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

31 December 2019	*Financial assets at FVOCI KD*
As at 1 January 2019	**1,155,685**
Remeasurement recognised in OCI	**42,706**
Purchases / sales (net)	**(90,219)**
As at 31 December 2019	**1,108,172**

31 December 2018	*Financial assets at FVOCI KD*
As at 1 January 2018	-
IFRS 9 transition adjustment	1,499,420
Remeasurement recognised in OCI	(343,735)
As at 31 December 2018	1,155,685

Description of significant unobservable inputs to valuation of financial assets:
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

FVOCI	*Valuation technique*	*Significant unobservable inputs*	*Range (weighted average)*	*Sensitivity of the input to fair value*
Unquoted securities	Market approach	Sector PBV multiple	0.66 - 0.99 (0.74)	10% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD (158,432)
		DLOM	30%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 55,451

* Discount for lack of marketability ("DLOM") represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

27 FAIR VALUE MEASUREMENT (continued)

27.2 Non-financial instruments

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

	Fair value measurement using			
	Quoted prices in active markets (Level 1) KD	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
2019				
Investment properties	-	**18,106,386**	**1,829,198**	**19,935,584**
2018				
Investment properties	-	12,336,439	3,336,655	15,673,094

Valuation techniques

Investment properties

The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 '*Fair Value Measurement*' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment property using the income capitalization method included within Level 3.

Description of significant unobservable inputs to valuation of non-financial assets:

The following table shows a reconciliation of the opening and closing amount of level 3 of non- financial assets which are recorded at fair value:

	At 1 January KD	*Remeasurement adjustment KD*	*At 31 December KD*
31 December 2019			
Investment properties	**3,336,655**	**(1,507,457)**	**1,829,198**
31 December 2018			
Investment properties	5,066,676	(1,730,021)	3,336,655

The fair value of the investment property under the Level 3 hierarchy was determined using the income approach. The fair value is determined based on discounted cash flow method, using contractually fixed cash flows for 1.6 years and discount rate of 12.34%.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

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28 COMMITMENTS AND CONTINGENCIES

Capital commitments

The Group has no capital commitments at the reporting date (2018: Nil).

Operating lease commitments – Group as a lessee

Future minimum rentals payable under operating leases as at 31 December are, as follows:

	2019 *KD*	*2018* *KD*
Within one year	-	400,526
After one year, but not more than five years	-	344,400
	-	744,926

Legal claim contingency

The Group operates in the real estate industry and is subject to legal disputes with tenants in the normal course of business. Management does not believe that such proceedings will have a material effect on its results and financial position.