Al Madina for Finance and Investment Company- K.S.C (Public)

And its subsidiaries

Kuwait

Consolidated Financial statements

For the financial year ended December 31, 2019

With independent Auditor's report

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With independent Auditor's report

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Rödl
Middle East
Burgan-International Accountants
Ali Al-Hasawi & Co

Independent auditor's report

The shareholders
Al madina for Finance and Investment Company
K.S.C (Public)
And its subsidiaries
Kuwait

Report on the audited consolidated financial statements

Opinion

We have audited the consolidated financial statements of Al Madina for Finance and Investment Company - K.S.C (Public) - (the Parent Company) and its subsidiaries (together referred to as "the Group") – which comprise the consolidated statement of financial position as of December 31, 2019 and the related consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in" the Auditor's Responsibilities" for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the group's consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, significant in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion therefore we do not provide a separate opinion on these matters. How each matter is addressed in the course of our audit is provided below.

We have identified the following key audit matters;

Impairment of investments in associates:

The Group's assessment of whether there is an impairment of investments in associates is a judgmental process. This requires assessment of net asset value, estimates concerning the future cash flows, growth rates based upon management's view of future business prospects and the associated discount rates etc. As of December 31, 2019 investments in associates are carried at KD 17,674,602 which represents 64% of the total assets (December 31, 2018: KD 22,136,390 which represents 63% of the total assets).

As a part of audit procedures, we obtained the Group management's impairment calculation and tested the reasonableness of key assumptions, we also assessed the adequacy of the Group's disclosures related to investments in associates.

The Group's accounting policies related to the impairment in their value are mentioned in note (3/11) to the consolidated financial statements. And the disclosures related to investments in associates are included in notes (10) to the consolidated financial statements.

Other Information included in Board of Directors Report

The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. We expect to receive the Company's annual report after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we 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 when it becomes available 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 Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the process of preparing the consolidated financial reports.

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

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

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

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

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

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

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

- Assessment of the overall presentation, structure and contents of the consolidated financial statements, including disclosures, and whether the consolidated financial statements reflect the relevant transactions and events in a manner that achieves fair presentation.

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

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

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by "the Parent Company", physical counting was carried out in accordance with the recognized practices and the consolidated financial statement together with the contents of the report of the Parent Company's Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we deemed necessary for the purpose of our audit, the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of year 2016, and the its executive regulation, as amended, law No. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity, as amended, and its executive regulation, Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations and the Parent Company's Articles of incorporation and Memorandum of Association as amended. According to the information that was available to us during the current financial year ended December 31, 2019 no violations of the companies' Law No. 1 of year 2016, and its executive regulation, as amended, and law No. 7 of year 2010 in respect of the establishment of Capital Market Authority and the organization of the securities activity and its executive regulation (Except for the request to renew the license granted by the Capital Markets Authority to the parent company has not been decided until the date of preparing these consolidated financial statements although the parent company submitted the renewal request on 17 September 2019), Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related executives regulations or the Parent Company's Articles of incorporation and Memorandum of Association, as amended, that might have had a material effect on the Parent Company's business or its consolidated financial position. except for what has been disclosed in (note -13) to these consolidated financial statements which states that the Group has obtained Wakala payable from Investment Funds, which violates the instructions issued by the Central Bank of Kuwait.



Ali A. Al Hasawi
Licence No. 30 - (A)
Rödl Middle East
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February 13, 2020
State of Kuwait

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Consolidated statement of financial position as of December 31, 2019

(All amounts are in Kuwaiti Dinar)

	Note	2019	2018
Assets			
Cash and cash equivalents	6	**142,745**	455,997
Investments at fair value through profit or loss	7	**1,680,733**	2,340,796
Receivables and other debit balances	8	**4,980,556**	5,318,630
Investment properties	9	**827,795**	831,104
Investment in associates	10	**17,674,602**	22,136,390
Investments at fair value through other comprehensive income	11	**2,187,764**	4,010,900
Property and equipment		**6,113**	13,229
Total assets		**27,500,308**	35,107,046
Liabilities and equity			
Liabilities			
Payables and other credit balances	12	**2,232,976**	2,382,358
Wakala payables	13	**2,522,653**	2,522,653
Provision for end of service indemnity	14	**201,608**	168,266
Total liabilities		**4,957,237**	5,073,277
Equity			
Share capital	15	**40,706,523**	40,706,523
Share premium		**4,552,924**	4,552,924
Other reserves	17	**(2,086,556)**	(549,464)
Treasury shares	16	**(2,694,680)**	(2,694,680)
Accumulated losses		**(28,723,211)**	(23,709,910)
Total equity attributable to the shareholders of the "Parent Company"		**11,755,000**	18,305,393
Non-controlling interests		**10,788,071**	11,728,376
Total equity		**22,543,071**	30,033,769
Total liabilities and equity		**27,500,308**	35,107,046

Mohammad Darweesh Al-Shamali
vice president

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

Al Madina for Finance and Investment Company K.S.C (Public)
And its subsidiaries
Kuwait

Consolidated statement of profit or loss for the financial year ended December 31, 2019
(All amounts are in Kuwaiti Dinar)

	Note	2019	2018
Revenue			
Net losses from investments	20	**(838,904)**	(942,743)
Net losses from investment properties	21	**(3,309)**	(321,384)
Net losses from investment in associates	22	**(482,289)**	(976,134)
Net charged provisions	23	**(46,434)**	(13,428)
Gain on debt settlement	9	**10,047**	-
Management fees and other income		**34,657**	79,220
Total losses		**(1,326,232)**	(2,174,469)
Expenses and other charges			
Staff cost		**541,645**	589,579
Other expenses	24	**321,777**	235,909
Total expenses and other charges		**863,422**	825,488
Net loss for the year		**(2,189,654)**	(2,999,957)
Attributable to:			
Shareholders of the Parent Company		**(2,107,213)**	(2,722,953)
Non-controlling interests		**(82,441)**	(277,004)
		(2,189,654)	(2,999,957)
Loss per share attributable to Shareholders of the Parent Company (fils)	25	**(5.41)**	(6.99)

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

Al Madina for Finance and Investment Company K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of profit or loss and other comprehensive income for the financial year ended December 31, 2019
(All amounts are in Kuwaiti Dinar)

	2019	2018
Net loss for the year	**(2,189,654)**	(2,999,957)
Other comprehensive income items:		
Items that may be reclassified subsequently to the consolidated statement of profit or loss:		
Investments in associates		
Group's share in associates' reserves	**(419,528)**	316,207
Transferred to the consolidated statement of profit or loss on sale	**104,846**	29,352
Items that will not be reclassified subsequently to the consolidated statement of profit or loss:		
Investments at fair value through other comprehensive income		
Change in fair value	**(1,823,137)**	(1,598,750)
Total other comprehensive loss	**(2,137,819)**	(1,253,191)
Total comprehensive income for the year	**(4,327,473)**	(4,253,148)
Attributable to:		
Shareholders of the Parent Company	**(3,488,667)**	(3,409,090)
Non-controlling interests	**(838,806)**	(844,058)
Total comprehensive income for the year	**(4,327,473)**	(4,253,148)

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

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Consolidated statement of changes in equity for the financial year ended December 31, 2019
(All amounts are in Kuwaiti Dinar)

	Equity attributable to the "Parent Company's" shareholders							
	Share capital	**Share premium**	**Other reserves (Note - 17)**	**Treasury shares**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total**
Balance at January 1, 2018	40,706,523	4,552,924	(18,764)	(2,694,680)	(20,730,169)	21,815,834	12,595,743	34,411,577
Transition adjustment on adoption of IFRS 9 on January 1, 2018	-	-	155,437	-	(256,788)	(101,351)	(23,309)	(124,660)
Balance at January 1, 2018 "adjusted"	40,706,523	4,552,924	136,673	(2,694,680)	(20,986,957)	21,714,483	12,572,434	34,286,917
Net loss for the year	-	-	-	-	(2,722,953)	(2,722,953)	(277,004)	(2,999,957)
Other comprehensive income for the year	-	-	(686,137)	-	-	(686,137)	(567,054)	(1,253,191)
Total comprehensive income for the year	-	-	(686,137)	-	(2,722,953)	(3,409,090)	(844,058)	(4,253,148)
Balance at December 31, 2018	40,706,523	4,552,924	(549,464)	(2,694,680)	(23,709,910)	18,305,393	11,728,376	30,033,769
Balance at January 1, 2019	40,706,523	4,552,924	(549,464)	(2,694,680)	(23,709,910)	18,305,393	11,728,376	30,033,769
Adjustment to the opening balance due to share of the Group in the adjustments of accumulated losses and reserves of associates (note 10)	-	-	(136,813)	-	(2,924,913)	(3,061,726)	(101,499)	(3,163,225)
Balance at January 1, 2019 "adjusted"	40,706,523	4,552,924	(686,277)	(2,694,680)	(26,634,823)	15,243,667	11,626,877	26,870,544
Net loss for the year	-	-	-	-	(2,107,213)	(2,107,213)	(82,441)	(2,189,654)
Other comprehensive income for the year	-	-	(1,400,279)	-	18,825	(1,381,454)	(756,365)	(2,137,819)
Total comprehensive income for the year	-	-	(1,400,279)	-	(2,088,388)	(3,488,667)	(838,806)	(4,327,473)
Balance at December 31, 2019	**40,706,523**	**4,552,924**	**(2,086,556)**	**(2,694,680)**	**(28,723,211)**	**11,755,000**	**10,788,071**	**22,543,071**

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

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Consolidated statement of cash flows for the financial year ended December 31, 2019

(All amounts are in Kuwaiti Dinar)

	Note	2019	2018
Cash flows from operating activities			
Net loss for the year		**(2,189,654)**	(2,999,957)
Adjustments:			
Change in fair value of investments at fair value through profit or loss	20	**784,204**	818,863
losses on sale of investments at fair value through profit or loss	20	**54,700**	124,880
Group's share of results in associates	22	**5,405**	1,128,519
Loss/(gains) from sale of investment in associates	22	**476,884**	(152,385)
Change in fair value of investment properties	21	**3,309**	323,896
Depreciation of property and equipment		**9,115**	12,735
Gain on debt settlement	9	**(10,047)**	-
Disposals of property and equipment at cost		**-**	20,000
Net charged provisions	23	**46,434**	13,428
Cash dividends		**-**	(1,000)
Provision for end of service indemnity	14	**41,110**	32,240
Operating loss before calculating the effect of changes in working capital		**(778,540)**	(678,781)
Investments at fair value through profit or loss		**(1,677,014)**	(856,990)
Receivables and other debit balances		**300,717**	960,978
Payables and other credit balances		**(149,382)**	(361,670)
Cash used in operations		**(2,304,219)**	(936,463)
End of service indemnity paid	14	**(7,768)**	(92,491)
Net cash used in operating activities		**(2,311,987)**	(1,028,954)
Cash flows from investing activities			
purchase of investments in associates		**(34,160)**	(229,027)
Proceeds from sale of investments in associates		**535,752**	248,449
Proceeds from sale of investments at fair value through profit or loss		**1,498,173**	916,312
Dividends received		**-**	1,000
Purchase of property and equipment		**-**	(4,775)
Net cash generated from investing activities		**1,999,765**	931,959
Net decrease in cash and cash equivalents		**(312,222)**	(96,995)
Cash and cash equivalents at beginning of the year		**385,892**	482,887
Cash and cash equivalents at end of the year	6	**73,670**	385,892

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

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Notes to the consolidated financial statements for the financial year ended December 31, 2019
(All amounts are in Kuwaiti Dinar unless stated otherwise)

1. Incorporation and activity

Al Madina for Finance and Investment Company (the Parent Company) is a Public Kuwaiti Shareholding Company incorporated in the State of Kuwait on 1980 and is registered as an investment company with the Central Bank of Kuwait on April 27, 2005. The shares of the Parent Company were listed on the Kuwait Boursa on April 24, 2006 and on the Dubai Financial Market on September 10, 2007.

The Parent Company's head office is domiciled at Al-Soar Street - AI-Mirqab - Kuwait.

The principle activities of the Parent Company are represented in all investing activities, finance and management of funds, trading and leasing of properties to customers and trading in lands and properties With the change of some of the activities of the parent company based on the approval of the Extraordinary General Assembly of the shareholders and upon the approval of the competent regulatory authorities as stated in Note (27) on the consolidated financial statements.

The consolidated financial statements include the financial statements of the parent company and its subsidiaries (together referred to as "the Group") (Note - 5).

The activities of the Parent Company are carried out in accordance with Islamic Sharia principles.

The Consolidated financial statements for the year ended December 31, 2019 were approved for issuance by the Board of Directors on February 13, 2020.

The Shareholders' General Assembly has the authority to amend these consolidated financial statements after their issuance.

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

2/1) Newly effective standard and amendments and improvements to standards

The new International Financial Reporting Standard IFRS 16 has become effective with effect from January 1, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations were applied for the first time from January 1, 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **IFRS 16: Leases**

  IFRS 16 was issued in January 2016 and it replaces 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".

IFRS 16 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 similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or a change in the rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to measure all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating and finance leases.

The adoption of IFRS 16 has no impact on the consolidated financial statements of "the Group .Since the group has only a short- term lease contract.

- **Other amendments to Standards**

The following interpretations and amendments to standards have also been applied by the Group in preparation of these consolidated financial statements.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017)
  - Amendments to IFRS 3 Business Combinations
  - Amendments to IFRS 11 Joint Arrangements
  - Amendments to IAS 12 Income Taxes
  - Amendments to IAS 23 Borrowing Costs

The adoption of the above did not result in any changes to previously reported net profit or net assets of the Group.

2/2) New and amended standards not yet effective, but available for early adoption

The below new and amended IFRSs that are available for early adoption for financial year ended December 31, 2019 are not effective until a later period, and they have not been applied in preparing these the consolidated financial statements

Adoption is not expected to impact the Group's the consolidated financial statements:

Effective date	Description
January 1, 2020	• Amendments to IFRS 3 "Business Combinations'' • Amendments to References to the Conceptual Framework in IFRS Standards • Amendments to IAS 1 and IAS 8 on 'Definition of Material'
January 1, 2022	• IFRS 17 "Insurance Contracts''
Effective date to be determined	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3. Significant accounting policies

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

3/1) Basis of the consolidated financial statements preparation

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and subsequent amendments.
- The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements of "the Group" for the previous financial year.
- These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "Investments at fair value through profit or loss Investments at fair value through other comprehensive income ". These consolidated financial statements have been presented in Kuwaiti Dinars.
- The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note (4).

3/2) Basis of consolidation

The consolidated financial statements include the financial statements of Al Madina for Finance and Investment Company K.S.C (Public) ("the Parent Company") and its subsidiaries (together referred to as "the Group") disclosed under note (5).

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The control is maintained by the Parent Company when:

- Exercise power over the investee;
- Exposure to variable returns or obtains rights from involvement with the investee; and
- Ability to use its power to affect the investee returns.

When the Parent Company does not has majority voting rights in the investee, the Parent Company takes into consideration facts and other factors in assessing the control, which include:

- Contractual arrangement between the Parent Company and other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company's voting rights;
- Potential voting rights.

The financial statements of subsidiaries acquired or disposed are included in the consolidated financial statements from the date the control effectively commences until the date that control effectively end.

The financial statements of the subsidiaries are consolidated on a line–by–line basis by adding together alike items of assets, liabilities, revenues and expenses. All inter–company balances and transactions, including unrealized profits or losses arising from inter–company transactions, are fully eliminated. Consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events which accrue in similar conditions.

The financial statements of the subsidiaries are prepared for the same date or within three months of the reporting period of the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the Subsidiaries' financial year date and the Parent Company's financial year date.

Non–controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non–controlling interests consist of the interest at the date of the original business combination and the non–controlling interest share of changes in equity since the date of the combination. Profits and losses attributed to the owners of the Parent Company and to the non–controlling interests in the ratio of their respective shareholdings even if that resulted in the non–controlling interests having a deficit balance.

When ownership of subsidiaries changes without loss of control, the transaction is accounted for within equity. However, when control is lost as a result of change in ownership, then:

- Derecognize the assets and liabilities of the subsidiaries reported in statement of financial position (including goodwill);
- Recognize any remaining investment of the subsidiaries at fair value at date of loss of control;
- Derecognize non–controlling interests;
- Recognize the profit or loss resulting from the loss of control in the consolidated statement of profit or loss.

3/3) Recognition and de-recognition of financial assets and liabilities

A financial asset or a financial liability is recognized when the Group become a party to the contractual provisions of the financial instrument. A financial asset is de-recognized either when the contractual rights to cash flows from the financial asset expire, the Group has transferred substantially all the risks and rewards of ownership or when it has neither transferred nor retained substantially all the risks and rewards, but no longer has control over the asset or a proportion of the asset. A financial liability is de-recognized when the obligation specified in the contract is discharged, cancelled or expired.

3/4) Financial instruments

Recognition, initial measurement and derecognition

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

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

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

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

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

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria.
- as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Subsequent measurement of financial assets

- **Financial assets at amortised cost**

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

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

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.
The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

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

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

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

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

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

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.
Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

- **Financial assets at FVTPL**
Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains investments in equity shares.
Assets in this category are measured at fair value with gains or losses recognised in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

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

- Investment in bonds
- Investment in equity shares

Impairment

Non-derivative financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider. otherwise;
- indications that a debtor will enter bankruptcy; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The financial assets at amortised cost comprise of trade receivables and cash at bank under IFRS 9 and loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables, contracts assets and all lease receivables that result from transactions that are within the scope of IAS 17 with an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and information on credit risk assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due. The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising the guarantee (if any is held); or
- The financial asset is more than 365 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured with the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses the financial assets carried at amortised cost. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables are presented under general and administrative expenses in the consolidated statement of profit or loss.

3/5) Business combinations

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

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

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

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

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

3/6) Cash and cash equivalents

Cash on hand and time deposits with banks whose original maturities do not exceed three months, net of bank overdrafts are classified as cash and cash equivalents in the consolidated statement of cash flows.

3/7) Trade receivables

Trade receivables are stated at their nominal value, less the allowance for any doubtful debts .The Company always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL.

3/8) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment properties and supported by market evidence.

Subsequent costs are capitalized to carrying amount of assets only when it is probable that economic benefits associated with such costs will flow to the Group and the cost of the item can be measured reliably. All maintenance and other repair works are expensed as incurred. When replacing part of the investment properties, the carrying amount of the replaced part is derecognized.

Any profit or loss resulting from either a change in the fair value or the sale of investment properties is immediately recognized in the consolidated statement of profit or loss in the period in which they arise.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no further economic benefit is expected from disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

3/9) Investment in associates

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

The Group's investment in associates is accounted for under the equity method. On the statement of financial position date at cost plus post-acquisition changes in the Group's share of the net assets of the associates, less any impairment in value and the consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates.

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

Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate arising from changes resulting from consolidated statement of change in equity of the associate .recognized directly in the associate's or equity of the Group, as applicable.

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

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

The associate's financial statements are prepared either to the Group's reporting date or to a date not earlier than three months of the Group's reporting date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the date of the associates and the group's consolidated financial statements date.

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

Notes to the consolidated financial statements for the financial year ended December 31, 2019
(All amounts are in Kuwaiti Dinar unless stated otherwise)

3/10) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The recoverable value of Property, Plant and equipment are reviewed at the consolidated financial position date. If the recoverable value for Property, Plant and equipment decreased from the book value in which case the book value is written down to the recoverable value. If the useful lives are different from its estimated lives then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactive periods.

Gains or losses resulted from disposals of Property, Plant and equipment is recorded in the consolidated profit or loss which determined by the difference between the sale price and its net book value.

Property, plant and equipment are depreciated on a straight-line basis to reduce their value to their residual value for 5 years.

Properties in the course of construction for production or administrative purposes, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these properties, on the same basis as other property and equipment, commences when the properties are ready for their intended use.

3/11) Impairment of tangible and intangible assets (including investment in associates)

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets ha the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the Increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income unless the relevant asset is carried at a revalued amount in which case the reversal of the Impairment loss is recognised in the revaluation surplus.

3/12) Trade payables

Trade payables are stated at their nominal value.

3/13) Wakala payables

Wakala payables arise when the Group receives funds from other parties under an authorization from these parties for the Group to reinvest them in specific forms or in specific Islamic financial instruments in return for the Group's commitment to pay to the holders of wakala payables a yield set at date of wakala. The Group recognizes the yield paid to holders of wakala payables as finance costs in the Consolidated statement of profit or loss when the wakala accrues or when the holders of wakala payables liquidate these wakala payables before their due date.

The received wakala contracts do not include any conditions that give their holders any rights secured against the other assets of the Group or any other entities in the Group.

Wakala payables are initially recognized at cost and they are later measured at amortized cost.

3/14) Provision for end of service indemnity

Provision for staff end of service indemnity is computed as per the Labor Law in the private sector and on the assumption of ending the services of all staff at the consolidated financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of the Group towards employees indemnity for past and current periods.

3/15) Equity and reserves

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

The issuance of share premium includes any premium received from the capital issuance, and any other expenses related to this issuance of shares deducted from the share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the parent's articles of association.
Change in fair value reserve – which comprise of profits and losses related to financial assets through other comprehensive income.

Accumulated loss includes all current and prior period profits and losses. All transactions with owners of the parent company are recorded separately within equity.

3/16) Treasury shares

Treasury shares consist of "The Parent" company owned shares that have been issued, subsequently repurchased by "The Group" and not yet re-issued or cancelled until the consolidated financial position date. The treasury shares are treated using the cost method; under the cost method cost of the treasury shares is charged to an account in equity. When re-issued the profit recognized in equity separately "Gain on sale of treasury shares" which is not distributable, any realized losses are charged the extent of the credit balance on the same account. Any excess losses are charged to retained earnings then reserves. Realized gains subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and gain on sale of treasury shares.

No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3/17) Revenue recognition

- Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers.the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers .The Group recognizes contract obligation for amounts received in respect of unsatisfactory performance obligations and provides these, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group fulfills a performance obligation before it receives the consideration, the Group recognizes either the origin of the contract or receivable, if any, in its consolidated statement of financial position, depending on whether there is anything other than the time required before the amounts are due.
- The Group earns revenue from renting of its investment properties. Rental income is recognised on a straight-line basis over the period of the individual rental contracts. When the customer initially enters into a rental contract, the Group usually receives an advance or a deposit or both which is recognised as a liability. The advance is recognized as revenue with the passage of time while deposit is refunded to the customer in accordance with the rental contract on termination.
- Revenue from services is recognized when services are provided or of the terms in agreements of each customer.
- Gain on sale of investments in securities is measured by the difference between the net sales proceeds and the book value of the investment sold.
- Dividends income from investments is recognized when the Group's right to receive payment is established.
- Other categories of income are recognized when earned, at the time the related services are rendered and/ or on the basis of the terms of the contractual agreement of each activity.

3/18) Provisions

Provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event it is probable that an outflow of the resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated financial position date and adjusted to reflect the current best estimate.

3/19) Finance charges

Finance costs for Murabaha payable is recognized based on accrual basis and is recognized in the consolidated statement of profit or loss in the period at which it is incurred.

3/20) Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated financial position only when there is a legally enforceable right to set off the recognized amounts and the management intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

3/21) Foreign currencies

The functional currency of any Company from the Group's subsidiaries is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies or the applicable foreign currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of profit or loss.

Translation differences on non-monetary items, such as equities classified as investments available for sale financial assets are included in the investment fair valuation reserve in equity.

The profit or loss and cash flow consolidated statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end.

Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long-term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of profit or loss and other comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale.

3/22) National Labor Support Tax (NLST)

NLST is calculated in accordance with La w No. 19 of 2000 and the Minister of Finance Resolutions No.24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

3/23) Kuwait Foundation for the Advancement of Science

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that 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.

3/24) Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. Based on the regulations issued with respect to national labors support tax and zakat, no losses are carried forward to future periods or charging them to previous years.

3/25) Contingent liabilities and assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3/26) Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

4. Significant accounting assumptions and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from these estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Judgments and estimates that are significant to the consolidated financial statements are shown below:

Judgments

Contingent liabilities / liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Classification of real estate property
Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.
The group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.
The group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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

Key sources of estimation uncertainty
Impairment of tangible assets and useful lives
The Group's management tests annually whether tangible assets have suffered impairment in accordance with accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and related depreciation and charge. The depreciation and charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment of investments in associates
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "share of gain in associate" in the consolidated statement of profit or loss.

Valuation of investment properties
The Group records investment properties at fair value where changes in the fair value are recognized in the consolidated statement of profit or loss, three basic methods are used for determining the fair value of the investment properties.

a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.

b) Income capitalization: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalization rate.

c) Comparative analysis: which base on estimations made by an independent real estate valuer by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate valuer.

Fair value measurement

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the financial instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the consolidated financial statements date.

Al Madina for Finance and Investment Company K.S.C (Public)

And its subsidiaries
Kuwait

Notes to the consolidated financial statements for the financial year ended December 31, 2019

(All amounts are in Kuwaiti Dinar unless stated otherwise)

5. The subsidiary companies

The consolidated financial statements include the financial statements of the parent company and its subsidiaries (together referred to as "the Group")

				Ownership percentage %	
Company's name	**Legal form**	**Incorporation country**	**Activity**	**December 31, 2019**	December 31, 2018
Real Capita Co.	W.L.L.	Kuwait	General trading	99	99
Murgan One Co.	W.L.L.	Cayman Island	Real estate	100	100
Held through Real Capita Co					
Dar Al-Bayraq for General trading and its Subsidiaries Co.	W.L.L.	Kuwait	General trading & Contracting	98	98
Morlo for General Trading Co.	W.L.L.	Kuwait	General trading & Contracting	99	99
Dasman United Real Estate Co.	W.L.L.	Kuwait	Real estate	99	99
Held through Dar Al Bayraq Co.					
Tatweer Capital Real Estate co. and its Subsidiaries Co.	K.S.C.C	Kuwait	Real estate	55.08	55.08
Held through Tatweer Capital Real Estate Co.					
Economic Pen for Publishing, Distribution & Advertising Co.	W.L.L.	Kuwait	Publishing, distribution & advertising	99	99
Develop for General Trading & Contracting Co.	W.L.L	Kuwait	General trading & Contracting	99	99
Al-Sanabel Company for the sale and purchase of bonds and shares Co.	W.L.L	Kuwait	General trading & Contracting	99	99

Material non- controlling interest in subsidiaries:

Material non-controlling interest is for the Group's Subsidiary- Tatweer Capital Real Estate co (K.S.C.C). The minority shareholder owns 44.92 % in Tatweer Capital Real Estate co (K.S.C.C).

The following is the summarized financial information of this Company:

	2019	2018
Current assets	**12,525,680**	10,626,153
Non-current assets	**16,095,766**	20,106,040
Current liabilities	**4,583,061**	4,642,927
Equity attributable to owners of the Company	**13,225,532**	13,926,841
Non-controlling interests	**10,785,964**	12,134,541
Revenue /(Losses)	**73,712**	(342,192)
Expenses	**(260,641)**	(268,103)
Loss attributable to the shareholders of the Parent Company	**(102,961)**	(326,133)
Loss attributable to non-controlling interests	**(83,968)**	(284,162)
Loss for the year	**(186,929)**	(610,295)
Other comprehensive income attributable to the Shareholders of the Parent Company	**(905,303)**	(425,675)
Other comprehensive income attributable to non-controlling interests	**(738,311)**	(370,895)
Other comprehensive income for the year	**(1,643,614)**	(796,570)
Total other comprehensive income attributable to the Shareholders of the Parent Company	**(1,008,264)**	(751,808)
Total other comprehensive income attributable to non-controlling interests	**(822,279)**	(655,057)
Total other comprehensive income for the year	**(1,830,543)**	(1,406,865)

6. Cash and cash equivalents

	2019	2018
Cash at banks	**40,851**	354,514
Restricted cash against letters of guarantee	**69,075**	70,105
Cash at portfolios and Kuwait Clearing Company	**21,528**	19,092
Cash on hand	**11,291**	12,286
Cash and cash equivalents as per consolidated statement of financial position	**142,745**	455,997
Less: Restricted cash against letters of guarantee	**(69,075)**	(70,105)
Cash and cash equivalents for preparing consolidated statement of cash flows	**73,670**	385,892

7. Investments at fair value through profit or loss

	2019	2018
Investments in local shares - quoted	**1,597,254**	2,001,850
Investments in local shares - unquoted	**528**	528
Investments in local funds - unquoted	**82,951**	338,418
	1,680,733	2,340,796

- The investments in local funds – unquoted (Madia Fund and Al-matiaz Investment Fund) were evaluated based on the net of local fund unit value as of December 31, 2018, and September 30, 2018, respectively as these funds are under liquidation.
- The investments in local funds – unquoted include pledged units amounted to KD 3,320.
- Investments at fair value through profit or loss were evaluated according to the evaluation methods disclosed in (Note – 31).

The movements in investment during the year are as follows:

	2019	2018
Balance at January 1,	**2,340,796**	1,567,907
Effect of applying IFRS 9	**-**	1,775,954
Additions	**1,677,014**	856,990
Disposals	**(1,552,873)**	(1,041,192)
Change in fair value	**(784,204)**	(818,863)
Balance at December 31,	**1,680,733**	2,340,796

8. Receivables and other debit balances

	2019	2018
Receivables from sale of properties	**558,621**	796,401
Due from related parties (Note – 26)	**4,983,068**	5,033,162
Accrued income	**118,321**	121,450
Accrued rents	**491,210**	491,210
Other debit balances	**569,234**	569,871
	6,720,454	7,012,094
Less: provision for expected credit losses	**(1,739,898)**	(1,693,464)
	4,980,556	5,318,630

As of December 31, the receivables and other debit balances ageing were as follows:

2019

During 30 days	**30-60 days**	**60-90 days**	**90-120 days**	**120 days <**	**Total**
1,512,100	**2,083,346**	**2,150,543**	**638,443**	**336,022**	**6,720,454**

2018

During 30 days	30-60 days	60-90 days	90-120 days	120 days <	Total
1,577,720	2,173,750	2,243,871	666,148	350,605	7,012,094

For risk profiling purpose, the Group has segregated its receivables and other debit balances portfolio into two subgroups namely, 'receivables from corporates and 'receivables from individuals' based on the historical credit loss and recovery patterns from the customers.

The following table shows the movement in lifetime ECL that has been recognised for receivables and other debit balances in accordance with the simplified approach set out in IFRS 9.

	2019		
	Receivables from corporates	**Receivables from individuals**	**Total**
Balance at January 1,	**1,016,843**	**676,621**	**1,693,464**
ECL charge for the year	**46,434**	**-**	**46,434**
Balance at December 31,	**1,063,277**	**676,621**	**1,739,898**

	2018		
	Receivables from corporates	Receivables from individuals	Total
Balance at January 1,	878,759	676,618	1,555,377
IFRS 9 transition impact	74,595	50,064	124,659
ECL charge for the year	63,489	-	63,489
Recovery of bad debts	-	(50,061)	(50,061)
Balance at December 31,	1,016,843	676,621	1,693,464

The maximum exposure to credit risk at the consolidated statement of financial position date is disclosed in (note -31) to these consolidated financial statements. The other classes within receivables and other receivables are neither past due nor impaired.

9. Investments properties

The movements in investment properties during the year are as follows:

	2019	2018
Balance at January 1,	**831,104**	1,155,000
Additions *	**104,891**	-
Disposals *	**(104,891)**	-
Change in fair value	**(3,309)**	(323,896)
Balance at December 31,	**827,795**	831,104

- Investment properties have been evaluated by two independent valuers one of them is a local bank, these valuers are registered at the related governmental bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations and the group's Management has adopted the lower valuation in the consolidated financial statements.

- Investment properties are registered in the name of related parties and there is a written waiver is in favor of the group.

* During the current financial year, a subsidiary retrieved a property previously sold to an external party against the debt owed by that party, such process resulted in a profit of KWD 10,047 that was recorded in the consolidated statement of profit or loss. Subsequently, at the end of the financial year, this property was sold at its book value under a settlement with a related party and this transaction did not have any effect on the consolidated statement of profit or loss.

10. Investments in associates

The investments in associates represented as follows:

	Ownership percentage %		Amount (KD)	
Company name	**2019**	2018	**2019**	2018
Ekttitab Holding Co. K.S.C.P.	**16.13%**	16.22%	**638,373**	1,540,743
AAN Digital Services Holding Co. K.S.C.P	**11.07%**	14.67%	**1,801,615**	5,371,736
Sarh Capital Real Estate Company K.S.C.C	**42.42%**	42.42%	**15,234,614**	15,223,911
			17,674,602	22,136,390

- The Group's share in the result and reserves of associates for both Ektitab Holding Company K.S.C.P. and AAN Digital Services Holding Company K.P.S.C. For the previous financial year ended (December 31, 2018) has been recognized based on interim condensed consolidated financial information (Unaudited) as of September 30, 2018, resulting in charging KD 2,805,970 in the accumulated losses which represents the adoption of these associates for IFRS 9 relevant to debtors ECL for the financial year ended December 31, 2018, in addition to an amount of KD 118,943 related to Sarh Capital Real Estate Company K.S.C.C and an amount of KD 136,813 which resulted from the group's share in associate reserves (Ektitab Holding Company K.S.C.P.). "Exhibit – D"

- During the current financial year, the Group has sold and purchased shares in Ekttitab Holding Co. K.S.C.P. and AAN Digital Services Holding Co. K.P.S.P. those transactions resulted in losses amounting to KD 476,884 and that has been recorded in the consolidated statement of profit or loss.

- The investment in AAN Digital Services Holding Company K.S.C.P. includes investments amounted to KD 272,110 as of December 31, 2019 (KD 787,137 as of December 31, 2018) which are pledged against purchasing investment properties.

- Ekttitab Holding Co. K.S.C.P. and AAN Digital Services Holding Co. K.S.C.P. are listed in the Kuwait Boursa based on published quoted prices, the market value of Ekttitab Holding Co. K.S.C.P. was KD 770,967 as of December 31, 2019 (KD 1,043,724 as of December, 31 2018) and this value higher than its book value, as shown above and AAN Digital Services Holding Co. K.S.C.P. was KD 1,275,979 as of December 31, 2019 (KD 2,215,078 as of December 31, 2018). According to the opinion of the group's management, there is no decrease in its recoverable value from its recorded book value based on the evaluation prepared by the management.

The following are the summarized financial statement / Interim condensed consolidated financial information of associates. The summarized financial statement / Interim condensed consolidated financial information set out below represents the amounts shown in the financial statement / Interim condensed consolidated financial information for these companies prepared as per IFRS:

Ekttitab Holding Company:

The Financial statement / Interim condensed consolidated financial information as of	**December 31, 2019**	September 30, 2018
Non-Current assets	**5,707,804**	8,320,184
Current assets	**9,266,013**	12,286,813
Current liabilities	**1,806,177**	1,836,688
Non-controlling interests	**(46,893)**	(9,528)
Loss for the year / period	**(452,175)**	(401,970)
Other comprehensive income for the year / period	**116,698**	(522,571)
Total comprehensive income for the year / period	**(335,477)**	(924,541)

The following is a reconciliation of the above summarized financial statement / Interim condensed consolidated financial information to determine the carrying value of the Group's share in the associate recorded in the consolidated financial statements:

	2019	2018
Net assets of the associate	**13,214,533**	18,779,837
Group 's share in net assets	**2,131,665**	3,046,380
Other adjustments	**(1,493,292)**	(1,505,637)
Carrying amount of Group's interest	**638,373**	1,540,743

AAN Digital Services Holding Company

The Financial statement / Interim condensed consolidated financial information as of	**December 31, 2019**	September 30, 2018
Non-Current assets	**25,269,183**	44,291,364
Current assets	**8,326,481**	11,574,656
Current liabilities	**3,951,863**	5,648,098
Non-current liabilities	**435,833**	489,377
Profit/(loss) for the year / period	**554,216**	(637,384)
Other comprehensive income for the year / period	**(200,948)**	164,451
Total comprehensive income for the year / period	**353,268**	(472,933)

The following is a reconciliation of the above summarized financial statement / Interim condensed consolidated financial information to determine the carrying value of the Group's share in the associate recorded in the consolidated financial statements:

	2019	2018
Net assets of the associate	**29,207,968**	49,728,545
Group 's share in net assets	**3,232,958**	7,292,716
Other adjustments	**(1,431,343)**	(1,920,980)
Carrying amount of Group's interest	**1,801,615**	5,371,736

Sarh Capital Real Estate Company

	2019	2018
Assets	**36,520,269**	36,990,632
Liabilities	**602,327**	1,097,907
Total equity	**35,917,942**	35,892,725
Revenue / (Loss)	**74,707**	(71,447)
profit / (Loss) for the year	**24,120**	(126,685)
other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**24,120**	(126,685)

The following is a reconciliation of the above summarized financial statement to determine the carrying value of the Group's share in the associate recorded in these consolidated financial statements:

	2019	2018
Net assets of the associate	**35,917,942**	35,892,725
Group's share in net assets	**15,234,614**	15,223,911
Other adjustments	**-**	-
Carrying amount of Group's interest	**15,234,614**	15,223,911

11. Investments at fair value through other comprehensive income

	2019	2018
Investments in local shares – quoted	**2,187,764**	4,010,900

Investments at fair value through other comprehensive income were evaluated according to the evaluation methods disclosed in (Note – 31).

12. Payables and other credit balances

	2019	2018
Trade payables	**58,338**	59,457
Due to contractors	**42,137**	102,590
Provision for amount payable towards purchase of Investment properties	**781,250**	781,250
Provision for claims (Note – 29)	**-**	60,000
Due to related parties (Note – 26)	**54,280**	54,280
Dividends payables	**111,711**	111,711
Accrued expenses	**121,545**	166,555
Tax Provision	**802,522**	802,522
Other credit balances	**261,193**	243,993
	2,232,976	2,382,358

13. Wakala payables

	2019	2018
Wakala payables from investment funds	**2,522,653**	2,522,653

- All Wakala payables have been matured previously, but have not been renewed, or paid. The Group had ceased to record the finance cost. There is a legal dispute with all parties of the Wakala contracts on the amounts that should be paid.
- During prior years, the Parent Company submitted an application to the competent Court for protection from the creditors in accordance with Law No. 2 of 2009 "Financial Stability Law" and has submitted a Restructuring Plan for the Wakala payable. The General Counsel head of department issued a judgment accepting the request for restructuring of the facility and the resultant cessation of the civil procedures of litigation and execution. The proposal was registered at the Court of Appeal in Corporate Restructuring Circle for settlement, during the current financial year, the Court of Appeal issued a ruling rejecting the restructuring request, the ruling is currently under appeal through cassation by the Parent Company, no ruling session has been scheduled at the consolidated financial position date and negotiations are under way with the creditor.

14. Provision of End of service indemnity

The Movement of provision of end of services indemnity as follows:

	2019	2018
Balance as of January 1,	**168,266**	228,517
Charged on the year	**41,110**	32,240
Paid during the year	**(7,768)**	(92,491)
Balance as of December 31,	**201,608**	168,266

15. Share capital

The Company's authorized, issued and fully paid capital is KD 40,706,523 divided into 407,065,225 shares each of a nominal value of 100 fils. All shares are cash shares.

16. Treasury shares

	2019	2018
Number of shares	**17,466,619**	17,466,619
Percentage (%)	**4.3**	4.3
Market value	**255,436**	344,418
Cost value	**2,694,680**	2,694,680

The Parent Company is required to retain reserves and share premium equivalent to the cost of treasury shares throughout the period and not distribute it as long as they are held as per instructions of the relevant regulatory authorities. The pledged treasury shares are 8,000,000 shares as of December 31, 2019 (December 31, 2018 8,000,000 share).

17. Other reserves

	Employees' share option reserves	Group's share in associates reserves	Change in fair value reserve	Total
Balance as of January 1, 2018	490,500	(353,827)	(155,437)	(18,764)
Reclassification from AFS to investments at fair value through statement of profit or loss on adoption of IFRS 9	-	-	155,437	155,437
Total other comprehensive income for the year	-	176,895	(863,032)	(686,137)
Balance as of December 31, 2018	490,500	(176,932)	(863,032)	(549,464)
Balance as of January 1, 2019	490,500	(176,932)	(863,032)	(549,464)
Adjustments to the opening balances due to share of the Group in the adjustments of reserves of associates	-	(136,813)	-	(136,813)
Total other comprehensive income for the year	-	(416,121)	(984,158)	(1,400,279)
Balance as of December 31, 2019	**490,500**	**(729,866)**	**(1,847,190)**	**(2,086,556)**

Employees' share option rights were not used as of the date of the report.

18. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit before KFAS, National Labor Support Tax, Board of Directors' remuneration and Zakat expense are transferred to statutory reserve. Statutory reserve is not distributable to shareholders; however, the reserve could be utilized for payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to utilize amounts in excess of 50% of the share capital for the benefit of the Parent Company and its shareholders .there is no transfer to the statutory reserve due to existence of accumulate losses.

19. Voluntary reserve

In accordance with the Parent Company's Articles of Association, a percentage of net profit as proposed by the Board of Directors and approved by the General Assembly is transferred to voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors. There is no transfer to the Voluntary reserve due to existence of accumulate losses.

20. Net loss from investments

	2019	2018
Losses on sale of investments at fair value through profit or loss	**(54,700)**	(124,880)
Change in fair value of investments at fair value through profit or loss	**(784,204)**	(818,863)
Dividends revenue	**-**	1,000
	(838,904)	(942,743)

21. Net losses from investment properties

	2019	2018
Change in fair value of investment properties	**(3,309)**	(323,896)
Rents from investment properties	**-**	2,512
	(3,309)	(321,384)

22. Net loss from investments in associates

	2019	2018
Group's share in associates' results	**(5,405)**	(1,128,519)
Gains from sale of investment in associates	**(476,884)**	152,385
	(482,289)	(976,134)

23. Net charged provisions

	2019	2018
Net charged provision	**(46,434)**	(13,428)

24. Other expenses

	2019	2018
Rent	**22,712**	26,802
Consultancy fees	**30,250**	53,385
Subscription fees	**87,139**	54,918
Legal fees	**34,611**	31,017
Bank charges	**3,938**	8,447
Depreciation	**9,115**	12,735
Miscellaneous expenses	**134,012**	48,605
	321,777	235,909

Notes to the consolidated financial statements for the financial year ended December 31, 2019
(All amounts are in Kuwaiti Dinar unless stated otherwise)

25. Loss per share attributable to shareholders of the Parent Company (fils)

Loss per share attributable to shareholders of the Parent Company is calculated by dividing net loss for the year by the weighted average number of issued and outstanding shares during the year as follows:

	2019	2018
Net loss for the year attributable to Shareholders of the Parent Company	**(2,107,213)**	(2,722,953)
Weighted average of outstanding shares during the year(share) :	**407,065,225**	407,065,225
Weighted average of treasury shares (share)	**(17,466,619)**	(17,466,619)
Weighted average of issued and outstanding shares during the year (share)	**389,598,606**	389,598,606
Loss per share attributable to Shareholders of the Parent Company (fils)	**(5.41)**	(6.99)

26. Related parties' transactions

Related parties include Parent Company's shareholders who have representation in the board of directors, major shareholders, companies at which members of the board of directors of the "parent company" participate in their management, also, major shareholder, In the normal course of business, subject to the "Parent Company's" management approval, there were transactions with the major shareholder and the subsidiaries. Those transactions were carried out in accordance with the same terms of dealing with other parties, approved by the board of directors. Other than what was disclosed elsewhere those are the transactions with the related parties :

	2019	2018
Consolidated statement of financial position		
Due from related parties	**4,983,068**	5,033,162
Due to related parties	**54,280**	54,280
Top management's benefits	**16,104**	9,534

	2019	2018
Consolidated statement of profit or loss		
Top management's benefits	**44,607**	50,957

The transactions with the related parties are subject to the approval of the Shareholders General Assembly.

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD 1,355,470 as of December 31, 2019 (KD 6,028,663 as of December 31, 2018) which are off consolidated financial position items.

27. Shareholders' General Assembly

The Shareholders' General Assembly was held on April 9, 2019 and approved the consolidated financial statements for the year ended December 31, 2018, and also approved the Board of Directors' recommendation on non-distribution of dividends for the financial year ended December 31, 2018 as well as non-distribution of remuneration to the Board of Directors for the financial year ended December 31, 2018.

The Shareholders' extra ordinary general assembly was held on December 30, 2019 and approved cancelling some activities of the Parent Company (collective investment scheme manager, custodian, investment controller and subscription agent) and amendments of article (5) from the article of incorporation and article (4) from the memorandum of association of the Parent Company which was approved subsequent by competent regulatory authorities.

28. Proposed dividends and Board of Directors' remunerations

On February 13, 2020 Board of Directors proposed not to distribute dividends for the financial year ended December 31, 2019, and not to distribute remuneration to the Board of Directors for the financial year ended December 31, 2019.

This proposal is subject to the approval of the parent's company shareholders' general assembly.

29. Contingent liabilities and contingent assets

Contingent liabilities

- There are legal disputes between the Group and certain portfolio clients in respect of liquidation of those parties' accounts amounting to KD 5.6 million approximately as of December 31, 2019 (KD 5.6 million approximately as of December 31, 2018). There is a legal decision issued from the Court of Cassation to enforce the Group to pay the due amount. The Group has signed a settlement agreement to settle these obligations against payment of KD 3.5 Million. As of March 31, 2019. The Group has paid an amount of KD 3.4 Million from the settlement amount and made necessary provisions for the unpaid amounts. During the current financial year all due amounts were settled.

- There is a lawsuit for settlement of accounts from one of the investment properties creditors. The Creditor filed a case against the parent company but it was rejected in the Court of first instance and creditor had appealed against the ruling. The proceedings were suspended as the Parent Company is subject to financial stability law. During the current financial year, the Court of Appeal issued a ruling rejecting the restructuring request, the rule is currently under appeal through cassation by the Parent Company, and no ruling session has been scheduled at the date of the consolidated financial position. The lawsuit was renewed from the moratorium after the restructuring request was rejected and a session was set for it on February 19, 2020.

- The Group has provided a joint security against Murabahas payable granted to a related party of KD 2,116,073 as of December 31, 2019 (KD 2,116,073 as of December 31, 2018). There are disputes with respect to those Murabahas. There was a Court judgment from a foreign Court in favor of the lender who filed a lawsuit to execute the above mentioned Judgment in the Kuwait Court. During the year 2016, the Court's judgment was issued to revoke the case. During the previous year, the lender filed a new case regarding the merit of the dispute. During the previous year the judgment was issued to refer the case to the expert department. During the current financial year, a ruling was issued to suspend the lawsuit, and it was appealed against, and a session was scheduled for on March 3, 2020, the first hearing of the appeal.

Contingent assets

- The Parent Company has filed a case against certain foreign parties to recover loss resulted from the purchase of some properties in Abu Dhabi, United Arab Emirates. The Court of Appeal of Abu Dhabi issued a judicial decision in favor of the Group to receive an amount of UAE Dirham 76 million approximately (KD 6 million approximately) as of December 31, 2019 (KD 6 million approximately December 31, 2018) in addition to receiving delay interests of 5% per year. The litigant has filed an appeal against this judicial decision and the Court of Cassation upheld the judgment of the Court of Appeal's which obligates the litigant to pay the amount. The execution of this judgment is in progress.

- There is a case filed by the parent company against an outside party on the annulment of the purchase contract of shares with an amount of KD 1,575,000, and on November 11, 2019, a judgment was issued in the first degree in favor of the parent company. That party appealed against the judgment, and set a session for it was scheduled on March 16, 2020.

- "The Group" has some potential lawsuits represented in cases pending at various levels of courts with other parties and the results of which cannot be determined till the date of consolidated statement of financial position. Therefore the internal legal department of "The Group" believes that there is no need to make provision for these amounts before determining the outcome of these claims and issues.

30. Segment distribution

The disclosure of operating segments information is based on the internal financial reporting structure of the Department, which is regularly reviewed by the chief operating decision maker, the Group carries out the majority of its activities through two major segments:

- Real estate segment: represent developing and selling land and properties.
- Investment segment: represent direct investment and portfolios management and investment funds for third party.

Analysis of the financial information according to segments for the year ended December 31, is as follows:

	Real estate		Investment		Total	
	2019	2018	**2019**	2018	**2019**	2018
Segment revenue / (losses)	**(3,309)**	(321,384)	**(1,321,193)**	(1,918,877)	**(1,324,502)**	(2,240,261)
Segment results	**(3,309)**	(321,384)	**(1,321,193)**	(1,918,877)	**(1,324,502)**	(2,240,261)
losses for the year					**(2,189,654)**	(2,999,957)
Segment assets	**535,227**	776,317	**21,543,099**	28,488,086	**22,078,326**	29,264,403
Segment liabilities	**823,387**	883,840	**4,133,850**	4,189,437	**4,957,237**	5,073,277

	2019	2018
Total segment result	**(1,324,502)**	(2,240,261)
Other income	**44,704**	79,220
Net charged provisions	**(46,434)**	(13,428)
Other expenses	**(863,422)**	(825,488)
Net loss for the year	**(2,189,654)**	(2,999,957)
Total segment assets	**22,078,326**	29,264,403
Cash and cash equivalents	**142,745**	455,997
Accounts receivable and other debit balances	**5,273,124**	5,373,417
Property and equipment	**6,113**	13,229
Total assets	**27,500,308**	35,107,046

Geographical distribution of assets and Losses :

	2019		2018	
	Assets	**Losses**	Assets	Losses
State of Kuwait	**26,560,262**	**(1,235,674)**	34,319,669	(1,744,209)
Gulf Co-operation Council	**822,101**	**(105,500)**	684,510	(405,571)
Other Arabian Countries	**117,945**	**14,402**	102,867	(24,689)
	27,500,308	**(1,326,772)**	35,107,046	(2,174,469)

31. Financial instruments

A- Categories of financial instruments

The Group's financial assets and financial liabilities are categorized in the consolidated statement of financial position as follows:

Financial assets	**2019**	2018
Cash and cash equivalents	**142,745**	455,997
Investment at fair value through profit or loss	**1,680,733**	2,340,796
Investment at fair value through other comprehensive income	**2,187,764**	4,010,900
Receivables and other debit balances	**4,980,556**	5,318,630
Investment in associates	**17,674,602**	22,136,390
	26,666,400	34,262,713

Financial liabilities	**2019**	2018
Payables and other credit balances	**2,232,976**	2,382,358
Wakala payables	**2,522,653**	2,522,653
	4,755,629	4,905,011

Fair value of the financial instruments

The fair value of the financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The Group has used the assumptions and accepted methods in the assessment of fair values of financial instruments. The fair values of the Group's financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on an active market are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flows using prices from observable current market transactions and dealer quotes for similar instrument.

The fair value of the financial instruments carried at amortized cost is not significantly different from their carrying value.

The following table presents financial assets and financial liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

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

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

December 31, 2019:	**Level 1**	**Level 2**	**Total**
Investments at fair value through profit or loss			
Financial investments in local shares – quoted	**1,597,254**	**-**	**1,597,254**
Financial investments in local funds - unquoted	**-**	**82,951**	**82,951**
Investments at fair value through other comprehensive income			
Financial investments in local shares – quoted	**2,187,764**	**-**	**2,187,764**
Total	**3,785,018**	**82,951**	**3,867,969**

December 31, 2018:	Level 1	Level 2	Total
Investments at fair value through profit or loss			
Financial investments in local shares – quoted	2,001,850	-	2,001,850
Financial investments in local funds - unquoted	-	338,418	338,418
Investments at fair value through other comprehensive income			
Financial investments in local shares – quoted	4,010,900	-	4,010,900
Total	6,012,750	338,418	6,351,168

B- Financial risks management

The Group uses financial instruments, which exposes it to variety of financial risks such as credit risks, market risks, liquidity risks and interest rate risks.

The Group continuously reviews its risk exposures and takes the necessary procedures to limit these risks to acceptable levels.

The Group's Board of Directors sets out written guidelines for the overall risk management framework, as well as written policies covering certain areas such as foreign exchange risk, interest rate risk and credit risk as well as investment of financial surpluses.

The significant risks that the Company is exposed to are discussed below:

- **Credit risks**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of cash &cash equivalents, term deposits, receivables and other debit balances. Credit risk associated with receivables and other debit balances is limited due to dispersion across large number of customers, for more details see note (8), the cash and cash equivalent deposited at reputable credit financial institutions, the receivables are presented net of Provision for expected credit losses.

The Group considers its maximum exposure to credit risk to be as follows:

	2019	2018
Cash and cash equivalent	**142,745**	455,997
Receivables and other debit balances	**4,980,556**	5,318,630
	5,123,301	5,774,627

For further information, refer back to notes (6) and (8). Financial assets whose maturity date has expired and its value have not impaired are disclosed in note 8. The maturity date of the other financial assets has not expired.

- **Liquidity risks**

Liquidity risk is the Group's inability to meet its cash obligations. Liquidity risk management involves maintaining sufficient cash and providing sources of finance by providing adequate facilities, maintaining high liquidity assets and monitoring liquidity on a regular basis through future cash flows.

The maturity of liabilities stated below based on the period from the consolidated financial position date to the contractual maturity date. In case the liabilities do not have a contractual maturity date, the maturity is based on management's estimate of liquidating assets to settle liabilities:

The following are the maturity dates of liabilities:

December 31, 2019

	Within 1 year	**More than 1 year**	**Total**
Payables and other credit balances	**2,232,976**	-	**2,232,976**
Wakala payable	**2,522,653**	-	**2,522,653**
End of service benefits	-	**201,608**	**201,608**
	4,755,629	**201,608**	**4,957,237**

December 31, 2018

	Within 1 year	More than 1 year	Total
Payables and other credit balances	2,382,358	-	2,382,358
Wakala payable	2,522,653	-	2,522,653
End of service benefits	-	168,266	168,266
	4,905,011	168,266	5,037,277

- **Market risks**

Market risks comprise of foreign currency risks, interest rate risks and equity price risks. These risks arise from changes in market prices, interest rates and foreign currencies prices.

Foreign currencies risks
Foreign currencies risks arise from transactions in foreign currencies. The Group manages these risks by setting limits on transactions in other foreign currencies and counterparty and limiting its transaction business in major currencies with reputable counterparties.

The following table shows the effect on the Consolidated statement of profit or loss (resulted from change in fair value of monetary assets and liabilities) because of change of currencies prices and consistency of other variables:

	Effect on consolidated statements of profit or loss	
	2019	2018
Changes in foreign currencies prices ± 5	**47,102**	39,369

Interest rate risk
Interest rate risk arises from long-term loans as loans at variable interest rates may expose the Group to cash flow risk due to interest rates. The Group does not currently have long-term loans.

The Group has no significant assets with interest rates. Accordingly, the Company's income and its cash and operating flows are not affected by changes in market interest rates.

Equity price risk
Equity price risk is the risk that the fair value of equities will fluctuate due to changes in the level of equity indices or the value of independent equity prices. Equity price risk arises from changes in the fair value of investments in stocks.

The effect on the fair value reserve as a result of a change in the fair value of investments at fair value through other comprehensive income and the effect on the consolidated statement of profit or loss as a result of changes in the fair value of investments at fair value through profit or loss as of December 31, 2019 because of expected changes in shares indices and consistency of other variables, is as follows::

	Effect on consolidated statements of profit or loss		**Effect on consolidated statements of change in Equity statement**	
Market indicators ±10	**2019**	2018	**2019**	2018
Kuwait securities	**159,725**	200,185	**218,776**	401,090

32. Capital risk management

a- The Group's objectives in managing capital:

The Group's objectives in managing capital are:

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

b- Debt to equity ratio
The Group monitors capital on the basis of debt to equity ratio. This ratio is calculated as net debt divided by total adjusted capital. Net debt calculated as total Wakala payables, as shown in the consolidated statement of financial position less cash and cash equivalents. Total adjusted capital comprises all components of equity (share capital, share premium, treasury shares, and reserves, cumulative changes in fair value, Accumulated losses and non-controlling interests) plus net debt. The debt to equity ratio is as follows:

	2019	2018
Debts	**2,522,653**	2,522,653
Less: cash and cash equivalents	**(142,745)**	(385,892)
Net debt	**2,379,908**	2,136,761
Total equity	**22,543,071**	30,033,769
Total adjusted capital	**24,922,979**	32,170,530
Debt to equity ratio	**%9.6**	%6.64

33. Consignment assets

The Group manages portfolios on behalf of other parties, the net assets of those portfolios amounted to KD 1,663,416 as of December 31, 2019 (KD 6,241,120 as of December 31, 2018), the balances for those portfolios are not present in the consolidated financial position.