ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18–20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Abyaar Real Estate Development K.S.C.P. (the "Parent Company") and its subsidiary (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the "*Basis for Disclaimer of Opinion*" section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

1. As disclosed in Note 3 to the consolidated financial statements, the Group incurred loss of KD 15,782,544 for the year ended 31 December 2019 (2018: KD 31,678,839), and as of that date, the Group's accumulated losses amounted to KD 78,699,255 (2018: KD 64,391,499) which constitutes 71% (2018: 58%) of the Parent Company's paid-up share capital. Further, the Group's current liabilities exceeded its current assets by KD 20,090,281 (2018: KD 19,234,513). As stated in Note 3 to the consolidated financial statements, the Group has significant debt exposure and was unable to meet the principal repayment terms of certain Islamic finance payables at the maturity date. During the current year, the Parent Company signed a memorandum of understanding ("MoU") with a local financial institution to settle credit facilities amounting to KD 20,399,604 representing the principal amount of the credit facilities and related finance costs up to 31 December 2018 through an in-kind settlement of KD 19,432,305. However, the MoU has lapsed on 30 June 2019 and is no longer enforceable and the Parent Company is still in negotiations to find a long-term solution. The ability of the Group to continue as a going concern is contingent on re-negotiating its debt arrangements with lenders or concluding replacement financing. However, in view of the uncertainties involving the timing and successful implementation of a debt restructuring plan, we were unable to obtain sufficient appropriate audit evidence to determine whether management's use of the going concern basis of accounting was appropriate.

2. The Group accounted for a subsidiary Al Ain Al Ahleia for General Trading Company based on unaudited financial information. We have not audited the financial statements of this subsidiary and we were unable to access accounting records of the subsidiary or carry out other audit procedures. We were unable to satisfy ourselves with regard to the completeness, existence and accuracy of the reported results and financial position of this subsidiary as at and for the year ended 31 December 2019.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. (continued)

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

Basis for Disclaimer of Opinion (continued)

3. Recent correspondences with the Real Estate Regulatory Agency ("RERA") in the Emirate of Dubai dated 12 November 2019 indicated that certain real estate projects under developments with a carrying amount of KD 37,254,005 as at 31 December 2019 has been suspended due to delayed construction. In order to annul the cancellation resolution, the Group was required to provide RERA with a proof of funds to complete the underlying project. The Group has not reached any conclusion regarding this matter and did not record any impairment on the project. We were not able to obtain sufficient appropriate audit evidence about the net realisable value of these properties. Consequently, we were not able to determine whether any adjustment to this amount was necessary.

4. Certain units of properties under development with a carrying value of KD 35,515,125 considered as part of an in-kind settlement of KD 7,075,513 have not been transferred. We were not able to obtain sufficient appropriate audit evidence about the net realisable value of these properties as the Group has no definitive plan as to whether these properties will be subject to an in-kind settlement with the respective lenders or developed for future sale. Consequently, we were not able to determine whether any adjustment to this amount was necessary.

5. The Group was unable to obtain any financial information from investment in associates stated at KD 3,236,975 in the consolidated statement of financial position as at 31 December 2019, and therefore did not recognise any changes in the Group's share of net assets of the associates. We were unable to obtain sufficient appropriate evidence related to completeness, valuation and existence of the investment in associates and the completeness and accuracy of the Group's share of profit or loss and other comprehensive income. Consequently, we were unable to determine whether any adjustment to the Group's investment in associates as at 31 December 2019, share of profit or loss and other comprehensive income of those associates for the year then ended was necessary.

6. The management was unable to obtain a reliable measure of fair value for an unquoted equity investment designated at fair value through other comprehensive income amounting to KD 1,075,819 as at 31 December 2019 as no financial information was available to fair value the investment using other generally accepted valuation methods at that date. It was not possible for us to carry out any alternative audit procedures to satisfy ourselves as to the carrying value of such investment and the consequential effect on the consolidated statement of financial position and consolidated statement of comprehensive income as at and for the year then ended.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. (continued)

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

Basis for Disclaimer of Opinion (continued)

7. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the existence, completeness and recoverability of Ijara receivables amounting to KD 27,911,514 and trade and other receivable and advance of purchase of property and equipment amounting to KD 3,286,735 which is net of an allowance for expected credit losses/provision for impairment of KD 1,383,396 and KD 4,023,076, respectively, as disclosed in Notes 11 and 12 to the consolidated financial statements. As a result, we are unable to determine whether any adjustments might have been found necessary in respect of such amounts as at 31 December 2019.

8. The Group has several bank balances with a carrying amount KD 726,846 as at 31 December 2019. We were unable to obtain all the bank confirmations and related commitments and contingencies of the Group and therefore were unable to obtain sufficient appropriate audit evidence about the existence of these balances as at 31 December 2019. Consequently, we were unable to determine whether any adjustment to the consolidated financial statements were necessary.

9. Accounts payable and accruals amounting to KD 52,655,319 for which no supporting documents have been provided to us. In the absence of information, we are unable to obtain sufficient appropriate audit evidence on the validity of these amounts and whether any adjustments were necessary to the amounts shown in these consolidated financial statements for accounts payable and accruals.

10. Management was unable to provided us external lawyers' confirmations in relation to actual or possible litigation and claims involving the Group together with an assessment of the outcome of the litigation and claims (if any), and an estimate of the financial implications as at 31 December 2019. In the absence of any procedures that we could perform with respect to this matter, we are unable to obtain sufficient appropriate audit evidence on the existence of any litigation or claims and its likely impact on the consolidated financial statements.

11. In accordance with IAS 21 '*The Effects of Changes in Foreign Exchange Rates'*, the Group did not recycled the foreign currency translation reserve related to the property under development and investment property to the consolidated statement of profit or loss that were disposed-off as an in-kind settlement to a financial institution and the management of the Parent Company was unable to quantify the amounts to be recycled from the foreign currency translation reserve. We were unable to obtain sufficient appropriate audit evidence about the impact of this matter on the consolidated financial statements.

12. The Group did not disclose information about credit risk of Ijara receivable and trade and other receivable and how the Group manages and measures credit quality of receivables that are neither past due nor impaired, information about credit quality of financial assets whose terms have been renegotiated, analytical disclosures for financial assets that are past due or impaired and information about collateral or other credit enhancements obtained or called. Disclosure of such information is required by IFRS 7 '*Financial Instruments: Disclosures'*, to be part of the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. (continued)

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

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

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

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the "*Basis for Disclaimer of Opinion*" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABYAAR REAL ESTATE DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, because of the significance of the matters described in the "*Basis for Disclaimer of Opinion*" section of our report, we were unable to conclude that proper books of account have been kept by the Parent Company and the consolidated financial statements together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements are in accordance therewith. We draw attention to Note 14, which states that the Parent Company has partially extinguished accumulated losses against the voluntary and statutory reserves without obtaining the pre-approval of the shareholders at the Annual General Meeting (AGM). We further report that, because of the significance of the matters described in the "*Basis for Disclaimer of Opinion*" section of our report, we were unable to obtain all the information and explanations that we required for the purpose of our audit and we were also unable to determine whether the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, and whether any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

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

21 May 2020
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	***2019*** ***KD***	*(Restated)** *2018* *KD*
Dividend income		**-**	276,611
Net foreign exchange differences		**(29,860)**	101,550
Allowance for expected credit loss on Ijara receivable	11	**(224,654)**	(1,158,742)
Allowance for expected credit loss on trade and other receivables	12	**(1,771,977)**	-
Provision for impairment on advance of purchase of property and equipment	12	**(2,251,099)**	-
Loss on partial disposal of investment in an associate	9	**(1,657,838)**	-
Loss on disposal of property under development	7	**(1,007,931)**	-
Valuation loss from property under development	7	**(536,048)**	-
Valuation loss from investment properties	8	**(3,997,278)**	-
Loss on in-kind settlement of properties under development and investment properties	8,24	**(3,285,525)**	(29,991,958)
Staff costs		**(363,927)**	(455,840)
Administrative expenses		**(466,113)**	(231,717)
Islamic finance costs		**(190,294)**	(218,743)
LOSS FOR THE YEAR		**(15,782,544)**	(31,678,839)
BASIC AND DILUTED LOSS PER SHARE	6	**(14) fils**	(29) fils

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2018 and reflect adjustments made as detailed in Note 24.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	*(Restated)**
	KD	*2018*
		KD
LOSS FOR THE YEAR	**(15,782,544)**	(31,678,839)
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Foreign currency translation adjustment	**78,708**	460,753
Other comprehensive income for the year	**78,708**	460,753
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(15,703,836)**	(31,218,086)

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2018 and reflect adjustments made as detailed in Note 24.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 KD	(Restated)* 2018 KD
ASSETS			
Non-current assets			
Property and equipment		-	3,209
Properties under development	7	**74,617,297**	81,441,569
Investment properties	8	**15,287,477**	23,813,875
Investment in associates	9	**3,236,975**	4,909,674
Financial assets at fair value through other comprehensive income	10	**1,075,819**	1,715,934
Ijara receivables	11	**27,911,514**	27,933,456
		122,129,082	139,817,717
Current assets			
Accounts receivable and prepayments	12	**4,213,843**	8,206,637
Bank balances and cash	13	**726,846**	807,094
		4,940,689	9,013,731
TOTAL ASSETS		**127,069,771**	148,831,448
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**110,727,500**	110,727,500
Statutory reserve	14	-	1,473,038
Voluntary reserve	14	**538**	2,288
Treasury shares	14	**(538)**	(538)
Foreign currency translation reserve		**6,524,794**	6,446,086
Accumulated losses		**(78,699,255)**	(64,391,499)
Total equity		**38,553,039**	54,256,875
Non-current liabilities			
Islamic finance payables	15	**18,052,732**	20,880,696
Accounts payable and accruals	16	**44,954,030**	44,970,456
Employees' end of service benefits		**479,000**	475,178
		63,485,762	66,326,330
Current liabilities			
Islamic finance payables	15	**17,329,681**	21,000,463
Accounts payable and accruals	16	**7,701,289**	7,247,780
		25,030,970	28,248,243
Total liabilities		**88,516,732**	94,574,573
TOTAL EQUITY AND LIABILITIES		**127,069,771**	148,831,448

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2018 and reflect adjustments made as detailed in Note 24.*

Abdulaziz Asaad Al Sanad
Vice Chairman

Mohammed Jassim Al Holi
Chief Executive Officer

The attached notes 1 to 24 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Foreign currency translation reserve KD*	*Accumulated losses KD*	*Total KD*
As at 1 January 2019 (restated)*	110,727,500	1,473,038	2,288	(538)	6,446,086	(64,391,499)	54,256,875
Loss for the year	-	-	-	-	-	(15,782,544)	(15,782,544)
Other comprehensive income for the year	-	-	-	-	78,708	-	78,708
Total comprehensive loss for the year	-	-	-	-	78,708	(15,782,544)	(15,703,836)
Partial extinguishment of accumulated losses (Note 14)	-	(1,473,038)	(1,750)	-	-	1,474,788	-
At 31 December 2019	**110,727,500**	**-**	**538**	**(538)**	**6,524,794**	**(78,699,255)**	**38,553,039**
As at 1 January 2018 *(as previously reported)*	110,727,500	1,473,038	2,288	(1,473,038)	5,985,333	(30,397,160)	86,317,961
Impact of correction of error (Note 24)	-	-	-	1,472,500	-	(1,472,500)	-
Restated balance at 1 January 2018	110,727,500	1,473,038	2,288	(538)	5,985,333	(31,869,660)	86,317,961
Loss for the year *(restated)**	-	-	-	-	-	(31,678,839)	(31,678,839)
Other comprehensive income for the year	-	-	-	-	460,753	-	460,753
Total comprehensive income (loss) for the year *(restated)**	-	-	-	-	460,753	(31,678,839)	(31,218,086)
Loss on derecognition of equity instruments designated at FVOCI	-	-	-	-	-	(843,000)	(843,000)
At 31 December 2018 *(restated)**	110,727,500	1,473,038	2,288	(538)	6,446,086	(64,391,499)	54,256,875

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2018 and reflect adjustments made as detailed in Note 24.*

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 KD	(Restated)* 2018 KD
OPERATING ACTIVITIES			
Loss for the year		**(15,782,544)**	(31,678,839)
Adjustments to reconcile loss for the year to net cashflows:			
Provision for employees' end of services benefits		**17,277**	48,633
Depreciation expense		**3,209**	20,961
Loss on disposal of properties under development	7	**1,007,931**	-
Loss on partial disposal of investment in an associate	9	**1,657,838**	-
Valuation loss from properties under development	7	**536,048**	-
Valuation loss from investment properties	8	**3,997,278**	-
Loss on in-kind settlement of properties under development and investment properties	8,24	**3,285,525**	29,991,958
Net foreign exchange differences		**29,860**	(101,550)
Allowance for expected credit losses on Ijara receivable	11	**224,654**	1,158,742
Allowance for expected credit losses on trade and other receivables	12	**1,771,977**	-
Provision for impairment on advance on purchase of property and equipment	12	**2,251,099**	-
Islamic finance costs		**190,294**	218,743
		(809,554)	(341,352)
Working capital adjustments:			
Accounts receivable and prepayments	12	**(30,282)**	866,174
Accounts payable and accruals	16	**437,083**	761,229
Net cash flows (used in) from operating activities		**(402,753)**	1,286,051
Employees' end of service benefits paid		**(13,455)**	(3,551)
Net cash flows (used in) from operating activities		**(416,208)**	1,282,500
INVESTING ACTIVITIES			
Proceeds from partial redemption and disposal of associates	9	**-**	57,995
Additions to properties under development	7	**(134,279)**	(358,195)
Proceeds from sale of properties under development	7	**245,828**	-
Proceeds from sale of investment properties	8	**224,411**	-
Movement in restricted bank balances	13	**80,198**	(148,345)
Net cash flows from (used in) investing activities		**416,158**	(448,545)
FINANCING ACTIVITIES			
Repayment of Islamic finance payables	15	**-**	(833,763)
Net cash flows used in financing activities		**-**	(833,763)
NET (DECREASE) INCREASE IN BANK BALANCES AND CASH		**(50)**	192
Bank balances and cash as at 1 January		**223**	31
BANK BALANCES AND CASH AS AT 31 DECEMBER	13	**173**	223

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2018 and reflect adjustments made as detailed in Note 24.*

1 CORPORATE INFORMATION

The consolidated financial statements of Abyaar Real Estate Development Company K.S.C.P. (the "Parent Company") and its subsidiary (the "Group") for the year ended 31 December 2019 were authorised for issuance by the Parent Company's board of directors on 21 May 2020. The shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The Board of Directors of the Parent Company in their meeting held on 28 October 2019 proposed the voluntary delisting from Boursa Kuwait. This proposal was approved by CMA on 28 January 2020 and was approved by the shareholders of the Parent Company in the ordinary general assembly held on 26 November 2019.

The registered office of the Parent Company is located at Saharah Tower, Al Sour Street, Al Qebla Area, P.O. Box 4238, Safat 13043, Kuwait.

2 PRINCIPAL ACTIVITIES

The Group is primarily engaged in the development and sale of real estate properties in the United Arab Emirates (UAE and Egypt). The principal activities of the Group are described below:

- Owing, selling and buying real estate and lands as well as developing them for the Company's account inside Kuwait and abroad, also managing properties for others without breaching the provisions stipulated in the existing laws that prohibit trading in private residential plots as stipulated in these laws.
- Owing, selling and buying shares and bonds of real estate companies only for the account of the Company inside Kuwait and abroad.
- Preparing studies and offering consultations of all kinds of real estate fields if only the required conditions are met by the parties that perform such services.
- Owing and managing hotels, health clubs, and touristic facilities as well as renting and leasing the same.
- Performing maintenance works related to buildings and real estate owned by the Company and others including maintenance work, execution of civil, mechanical, electrical, elevators and air conditioning work to ensure the protection and safety of buildings.
- Managing, operating, investing in, renting and leasing hotels, clubs, motels, guest houses, parks, gardens, showrooms, restaurants, cafeterias, housing complexes, touristic and health resorts, recreational and athletic projects and stores of all degrees and levels, inclusive of all main and auxiliary services and the accompanying facilities and other necessary services.
- Organizing real estate exhibitions related to the Company's real estate projects in accordance with Ministry's applicable regulations.
- Holding real estate auctions as per the Ministry's applicable regulations.
- Owing and managing commercial malls and residential complexes.
- Utilising financial surpluses available to the Company by investing them in financial portfolios managed by specialised companies and entities.
- Direct contribution to develop the infrastructure for areas as well as residential, commercial and industrial projects using the BOT system (build, operate and transfer) and managing real estate facilities.

All activities of the Parent Company are carried out in accordance with Islamic Sharīʿa principles as approved by the Group's Fatwa and Sharīʿa Supervisory Board.

3 FUNDAMENTAL ACCOUNTING CONCEPT

The Group incurred loss of KD 15,782,544 for the year ended 31 December 2019 (2018: KD 31,678,839), and as of that date, the Group's accumulated losses amounted to KD 78,699,255 (2018: KD 64,391,499) which constitutes 71% (2018: 58%) of the Parent Company's paid-up and issued share capital. Further, the Group's current liabilities exceeded its current assets by KD 20,090,281 as at 31 December 2019 (2018: KD 19,234,513). During the current year, the Parent Company signed a memorandum of understanding ("MoU") with a local financial institution to settle credit facilities amounting to KD 20,399,604 representing the principal amount of the credit facilities and related finance costs up to 31 December 2018 through an in-kind settlement of KD 19,432,305. However, the MoU has lapsed on 30 June 2019 and is no longer enforceable and the Parent Company is still in negotiations to find a long-term solution. The ability of the Group to continue as a going concern is contingent on re-negotiating its debt arrangements with lenders or concluding replacement financing.

3 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

As of the authorisation date of these consolidated financial statements, no definitive restructuring arrangements have been reached with the lenders, however, management believes that discussions with lenders on the restructuring plan will have a positive outcome. The ability of the Group to continue as a going concern is dependent on the debt rescheduling of the terms of obligations with the lenders, continued support from the lenders and future profitability which is dependent on adoption and implementation of a debt restructuring plan currently in discussions with the lenders.

Management acknowledges that uncertainty remains over the Group‘s ability to meet its funding requirements and to refinance or repay Islamic finance payables as and when they fall due. However, as described above, management believes that discussions with lenders on the debt restructuring plan will have a positive outcome and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group’s ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the consolidated financial statements.

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES

4.1 BASIS OF PREPARATION

The consolidated financial statements are prepared on a historical cost basis except for investment properties and equity instruments that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars (“KD”). However, the functional currency of the Parent Company is United Arab Emirate Dirham (“AED”).

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

4.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

The Group has adopted IFRS 16 ‘Leases’ (“IFRS 16”) for the first time effective as of 1 January 2019. Management assessed that the Group has only short-term leases and leases of low-value assets. and therefore the adoption of this new standard has no impact on the consolidated financial statements of the Group.

4.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.1 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

The consolidated financial statements of the Group include:

Company name	*Country of incorporation*	*Equity interest as at 31 December*		*Principal activities*
		2019	*2018*	
Al Ain Al Ahlia for General Trading Company W.L.L.	Kuwait	**100%**	99%	Real estate activities

4.4.2 Investment in associates

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

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

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

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

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

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

4.4.3 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from of sale of real estate

Income from the sale of real estates is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.3 Revenue recognition (continued)
The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

4.4.4 Finance income and expense
Finance income and expense are recognised in the consolidated statement of profit or loss for all profit-bearing financial instruments using the effective interest method.

4.4.5 Dividend income
Dividend income is recognised when the right to receive payment is established.

4.4.6 Financial instruments - initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

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

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

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

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

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

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

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

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.6 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

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

The Group has no debt instruments measured at fair value.

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

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

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

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

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

The Group has not designated any financial assets as at fair value through profit or loss.

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

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

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

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

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.6 Financial instruments - initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment
The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at FVOCI. The amount of expected credit losses is updated at each reporting date.

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

The management considers a financial asset in default when the contractual payments are 365 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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

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

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

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

Financial liabilities at amortised cost

Islamic finance payables
After initial recognition, profit-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.6 Financial instruments - initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

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

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

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

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

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

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

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

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

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

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

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

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

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.8 Property and equipment
Property and equipment is stated at cost, less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

Buildings	30 years
Furniture and fixtures	3 years
Computers	1-4 years
Vehicles	3-5 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

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

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.4.9 Properties under development
Properties under development are developed for future sale in the ordinary course of business, rather than to be held for rental or capital appreciation and are stated at net realisable value. Upon completion these are transferred to trading properties. Cost includes freehold rights for land, amounts paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

4.4.10 Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value using market comparison approach, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the period in which they arise. Under market comparison approach, fair value is estimated based on comparable transactions. The market comparison approach is based upon the principal of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (‘sqm’) Fair values are evaluated by an accredited external, independent valuer.

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

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

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.11 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

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

4.4.12 Employees end of service benefits

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

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

4.4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4.4.14 Contingencies

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

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

4.4.15 Foreign currencies

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

Transactions and balances

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

4 BASIS OF PREPRATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4.16 Foreign currencies (continued)

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

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

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4.4.17 Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

4.4.18 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

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

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

5.1 Significant judgments

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

Classification of financial assets

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

Classification of real estate properties

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

Going concern

The Group’s management has performed an assessment of the Group’s ability to continue as a going concern, which covers a period of twelve months from the reporting date, based on certain identified events and conditions that, individually or collectively, may cast doubt on the Group’s ability to continue as going concern.

The Group’s management has prepared its business forecast and the cash flow forecast for the twelve months from the reporting date on a conservative basis. The forecasts have been prepared taking into consideration the nature and condition of its business, the degree to which it is affected by external factors and other financial and non-financial data available at the time of preparation of such forecasts.

On the basis of such forecasts, the Group’s management is of the opinion that the Group will be able to continue its operations for the next twelve months from the reporting date and that the going concern assumption used in the preparation of these consolidated financial statements is appropriate. The appropriateness of the going concern assumption is reassessed on each reporting date.

Determination of functional currency

Functional currency in the consolidated financial statements is determined at the level of each entity within the Group. Identifying the functional currency has a direct impact om which transactions are foreign exchange transactions that give rise to exchange gains and losses and, thereby, on the reported results.

The Parent Company’s functional currency is the currency of the primary economic environment in which it operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management determined that the functional currency of the Parent Company is AED since the majority of the Parent Company’s transactions are denominated in AED.

5.2 Estimates and assumptions

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

5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

5.2 Estimates and assumptions (continued)

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

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

Investment properties under construction are measured at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of the asset. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 8.

Provision for expected credit losses of accounts receivable
The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm’s length market transactions;
- Current fair value of another instrument that is substantially the same;
- An earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;or
- Other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

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

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

6 BASIC AND DILUTED LOSS PER SHARE

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

	2019	*(Restated)* *2018*
Loss for the year (KD)	**(15,782,544)**	(31,678,839)
Weighted average number of shares outstanding (shares)	**1,107,270,000**	1,107,270,000
Basic and diluted loss per share (fils)	**(14)**	(29)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

7 PROPERTIES UNDER DEVELOPMENT

	2019 ***KD***	*(Restated)* *2018* *KD*
As at 1 January	**81,441,569**	105,459,497
Additions	**134,279**	358,195
Remeasurement adjustment*	**-**	(24,914,056)
Net loss from fair value remeasurement	**(536,048)**	-
Disposals / transfers	**(6,453,759)**	-
Exchange differences	**31,256**	537,933
As at 31 December	**74,617,297**	81,441,569

* As at 31 December 2018, the carrying values of certain properties were adjusted by KD 24,914,056 to take account of the adjusting event described in Note 24.

Properties under development represent the cost of freehold properties and subsequent development cost incurred by the Group. The properties are located in the United Arab Emirates (UAE).

At the reporting date, properties under development with a carrying value of KD 37,254,005 (2018: KD 42,483,291) are pledged as a security to fulfil collateral requirements of certain Islamic finance payables (Note 15).

During the year, the Group sold property under development with a carrying value of KD 1,253,759 which resulted in a loss amounting to KD 1,007,931 recorded in the consolidated statement of profit or loss.

During the year, the Group transferred properties under development with a carrying value of KD 5,200,000 as part of an in-kind settlement with certain lenders towards Islamic finance payables. No gain or loss was recorded from this transaction.

8 INVESTMENT PROPERTIES

	2019	*(Restated)* *2018*
	KD	*KD*
As at 1 January	**23,813,875**	28,726,697
Remeasurement adjustment *	**-**	(5,077,901)
Disposal/transfers	**(4,530,265)**	-
Net loss from fair value remeasurement	**(3,997,278)**	-
Exchange differences	**1,145**	165,079
As at 31 December	**15,287,477**	23,813,875

* As at 31 December 2018, the fair values of certain properties were adjusted by KD 5,077,901 to take account of the adjusting event described in Note 24.

As at the reporting date, investment properties with a carrying value of KD Nil (2018: KD 4,519,070) are pledged as a security to fulfil collateral requirements of certain Islamic finance payables (Note 15).

During the year, the Group has disposed one of its investment properties with a carrying value of KD 4,530,265 as an in-kind settlement to a financial institution and has recorded a loss of KD 3,285,525 in the consolidated statement of profit or loss.

As at 31 December 2019 and 2018, the fair value of the properties are based on valuations performed by accredited independent valuers with recognised and relevant professional qualifications and with recent experience in the locations and categories of the investment property being valued.

The investment properties are valued using the market comparable approach and are classified under level 2 of fair value hierarchy (Note 22). Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm).

9 INVESTMENT IN ASSOCIATES

			2019		*2018*	
	Principal activities	***County of incorporation***	***Equity interest %***	***Carrying amount KD***	*Equity interest %*	*Carrying amount KD*
Al Jaddaf Real Estate Company K.S.C. (Closed)*	Real estate	Kuwait	**23%**	3,151,626	35.9%	4,824,279
Abyaar Qatar Real Estate Development K.S.C.C. (Under Liquidation) **	Real estate	Kuwait	**15.15%**	85,349	15.15%	85,395
Makan United Real Estate Company K.S.C.	Real estate	Kuwait	**20%**	-	20%	-
Tamec General Trading and Contracting Company W.L.L.	General trading and contracting	Kuwait	**20%**	-	20%	-
				3,236,975		4,909,674

* Investment in an associate amounting to KD 3,151,626 (2018: KD 4,824,279) is pledged to fulfil collateral requirements of certain Islamic financing payables (Note 15).

** The Parent Company exercises significant influence (even though the percentage of ownership is less than 20%) over the above investments in associate, through representation on the Board of Directors of this entity and joint participation in major business transactions.

*** The associates are private entities that are not listed on any public exchange.

The movement in the carrying amount of investment in associates during the year is as follows:

	2019 KD	*2018 KD*
As at 1 January	**4,909,674**	4,967,669
Partial disposal [1]	**(1,672,699)**	(57,995)
As at 31 December	**3,236,975**	4,909,674

[1] During the year ended 31 December 2019, 24,634,064 collateralised shares in an associate were disposed by a lender. As a result, the Group's equity interest in the associate was diluted to 23%. The Group recognised a loss of KD 1,657,838 from this transaction in the consolidated statement of profit or loss for the year then ended.

9 INVESTMENT IN ASSOCIATES (continued)

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

Al Jaddaf Real Estate Company K.S.C. (Closed)

	2019 KD	*2018 KD*
Non current assets	**14,355,000**	14,721,943
Current assets	**371,695**	281,328
Total assets	**14,726,695**	15,003,271
Current liabilities	**51,186**	51,016
Total liabilities	**51,186**	51,016
Net assets	**14,675,509**	14,952,255

Net operating income and results of 31 December 2019 and 2018 are insignificant.

Reconciliation to carrying amounts:

	2019 KD	*2018 KD*
Net assets	**14,675,509**	14,952,255
Group's share in equity – 23% (2018: 35.9%)	**3,695,207**	5,367,860
Impairment	**(543,581)**	(543,581)
Group's carrying amount of the investment	**3,151,626**	4,824,279

10 INVESTMENT SECURITIES

	2019 KD	*(Restated) 2018 KD*
Financial assets at fair value through other comprehensive income:		
- Unquoted managed equity securities	**1,075,819**	1,715,934

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 22.

Investment securities amounting to KD Nil (2018: KD 657,000) are mortgaged as collateral against Islamic financing payables (Note 15).

11 IJARA RECEIVABLE

	2019	*2018*
	KD	*KD*
Gross amount	**35,265,228**	35,067,209
Less: deferred profit receivable	**(5,970,318)**	(5,975,011)
	29,294,910	29,092,198
Less: Provision for expected credit losses	**(1,383,396)**	(1,158,742)
	27,911,514	27,933,456

Ijara receivable amounting to KD 27,911,514 (2018: KD 27,933,456) is classified as non-current assets in the consolidated statement of financial position.

Ijara receivable represent sublease of certain plots of land to a third party which were held under operating leases and were classified and accounted for as investment properties by the Group.

Ijara receivable is secured and carry an average profit of 1.9% (2018: 1.9%) per annum.

The counterparty has defaulted on Ijara receivable instalments. Management believes that the net carrying value of Ijarah receivables is considered a reasonable approximation of fair value.

Note 20.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's Ijarah receivables.

12 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019	*2018*
	KD	*KD*
Receivables from customers, net	**2,767,808**	4,367,247
Prepaid expenses and commissions	**927,108**	938,770
Advance for purchase of property and equipment	**-**	2,252,869
Other receivables, net	**518,927**	647,751
	4,213,843	8,206,637

The Group recognised a provision for expected credit losses on trade and other receivables amounting to KD 1,771,977 (2018: KD Nil) (Note 20.1). Other classes within accounts receivable do not contain impaired assets.

The Group recognised a provision for impairment on advance for purchase of property and equipment amounting to KD 2,251,099 (2018: KD Nil) (Note 20.1). Other classes within accounts receivable do not contain impaired assets.

13 BANK BALANCES AND CASH

	2019	*2018*
	KD	*KD*
Bank balances and cash	**726,846**	807,094
Less: restricted bank balances	**(726,673)**	(806,871)
Bank balances and cash for the purpose of consolidated statement of cash flows	**173**	223

Restricted bank balances represent amounts held in escrow accounts. The Group cannot use these amounts until fulfilment of obligations related to construction and completion of certain projects.

14 EQUITY

a) Share capital

At 31 December 2019, issued and fully paid up capital of the Parent Company is 1,107,275,000 shares (2018: 1,107,275,000 shares) of 100 fils each paid fully in cash.

b) Statutory reserve

In accordance with the Parent Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before directors' fees, contribution to Kuwait Foundation for the Advancement of Sciences, National Labor Support Tax and Zakat shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No transfer to the statutory reserve during the year as the Group has incurred losses.

On 3 February 2020, the directors resolved to partially extinguish the accumulated losses through utilising the statutory reserve.

c) Voluntary reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. No transfer to the voluntary reserve during the year as the Group has incurred losses.

On 3 February 2020, the directors resolved to partially extinguish the accumulated losses through utilising the voluntary reserve to the extent of the treasury shares held.

e) Treasury shares

	2019	*(Restated)* *2018*
Number of treasury shares	**5,000**	5,000
Percentage (%) of issued shares	**0.00005%**	0.00005%
Cost of treasury shares (KD)	**538**	538
Market value of treasury shares (KD)	**65**	65

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

15 ISLAMIC FINANCING PAYABLES

	2019 KD	*2018 KD*
Gross amount	**36,125,832**	42,814,809
Less: deferred profit payable	**(743,419)**	(933,650)
	35,382,413	41,881,159
Classified as		
Current	**17,329,681**	21,000,463
Non-current	**18,052,732**	20,880,696
	35,382,413	41,881,159

15 ISLAMIC FINANCING PAYABLES (continued)

The average effective rate of finance costs payable is 4.5% (2018: 4.5% to 7.0%) per annum.

Islamic finance payables amounting to KD 30,324,467 (2018: KD 36,821,011) are secured by way of collaterals over certain of the Group's properties under development amounting to KD 37,254,005 (2018: KD 42,483,291) (Note 7), investment properties amounting to KD Nil (2018: KD 4,519,070) (Note 8), investment in associates amounting to KD 3,151,626 (2018: KD 4,824,279) (Note 9) and financial assets at fair value through other comprehensive income amounting to KD Nil (31 December 2018: KD 657,000) (Note 10).

The Group was unable to meet the mandatory repayment terms towards certain Islamic finance payables at the maturity date.

On 18 February 2019, the Parent Company made a public announcement in the Kuwait Stock Exchange ("Boursa Kuwait") stating that it signed a Memorandum of Understanding ("MoU") with a local financial institution to settle credit facilities amounting to KD 20,399,604 representing the principal amount of the credit facility and related finance costs up to 31 December 2018, through an in-kind settlement of KD 19,432,305.

During the current period, the Group transferred certain properties under development and equity securities as part of the in-kind settlement towards Islamic finance payables amounting to KD 5,200,000 and KD 657,000, respectively.

Further, the MoU has lapsed during the period and certain units of properties under development with a carrying value of KD 35,515,125 considered as part of an in-kind settlement of KD 7,075,513 have not been transferred. Management believes that the MoU is no longer enforceable and is still in negotiation with the lender to find a long-term solution.

16 ACCOUNTS PAYABLE AND ACCRUALS

	2019 ***KD***	*2018* *KD*
Advances from customers	**44,954,030**	44,970,456
Accrued expenses and other payables	**994,328**	1,174,171
Payable on purchase of investment properties	**1,283,685**	1,284,694
Payable to contractors and consultants	**5,423,276**	4,788,915
	52,655,319	52,218,236
Classified as		
Current	**7,701,289**	7,247,780
Non-current	**44,954,030**	44,970,456
	52,655,319	52,218,236

17 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties.

These represent transactions with certain parties entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Parent Company's management.

There were no balances and transactions with related parties included in the consolidated statement of financial position and consolidated statement of profit or loss as at and for the year ended 31 December 2019.

Key management compensation:

	2019 ***KD***	*2018* *KD*
Short term benefits	**74,356**	55,626
Employees' end of service benefits	**39,374**	21,381
Total	**113,730**	77,007

18 SEGMENT INFORMATION

For management purpose the Group is organised into three major geographical segments:

- United Arab Emirates ("UAE")
- Kuwait
- Other countries

Management monitors the operating results of its geographical units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

	UAE		***Kuwait***		***Other countries***		***Total***	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*	***KD***	*KD*
Segment revenue	**-**	-	**-**	276,611	-	-	**-**	276,611
Segment expenses	**(15,282,516)**	(31,418,570)	**(500,028)**	(536,880)	-	-	**(15,782,544)**	(31,955,450)
Segment result	**(15,282,516)**	(31,418,570)	**(500,028)**	(260,269)	-	-	**(15,782,544)**	(31,678,839)
Segment assets	**116,985,630**	136,852,462	**3,584,141**	5,478,986	**6,500,000**	6,500,000	**127,069,771**	148,831,448
Segment liabilities	**58,639,775**	59,226,029	**29,876,957**	35,348,544	-	-	**88,516,732**	94,574,573
Commitments and capital expenditures	**9,537,218**	9,544,715	**-**	-	-	-	**9,537,218**	9,544,715

19 COMMITMENTS

As a t 31 December 2019 the Group has commitments related to future capital expenditure amounting to KD 9,537,218 (2018: KD 9,544,715).

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Board of Directors of the Parent Company are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

20.1 Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily Ijarah and other receivables) and from its financing activities, including deposits with banks.

	2019 ***KD***	*2018* *KD*
Ijarah receivables (Note 11)	**27,911,514**	27,933,456
Accounts receivable* (Note 12)	**3,286,735**	7,267,867
Bank balances (Note13)	**726,846**	807,094
Total	**31,925,095**	36,008,417

* *Excludes advances, prepaid expenses and commissions of KD 927,108 as at 31 December 2019 (2018: KD 938,770).*

As at 31 December 2019, an allowance for expected credit loss KD 224,654 (2018: KD 1,158,742) was recognised in relation to Ijarah receivables, KD 1,771,977 (2018: KD Nil) in relation to trade and other receivables and provision for impairment of KD 2,251,099 (2018: KD Nil) in relation to advance for purchase of property and equipment. The main cause of the impairment allowances is the increased credit risk from local independent customers.

Movements in the expected credit losses/provision of receivables were, as follows:

	Ijarah receivables KD	***Trade receivables KD***	***Advance for purchase of property and equipment KD***	***Other receivables KD***	***Total KD***
At 1 January 2018	**-**	**-**	**-**	**2,251,099**	**2,251,099**
Charge for the year	1,158,742	-	-	-	1,158,742
At 31 December 2018	**1,158,742**	**-**	**-**	**2,251,099**	**3,409,841**
Charge for the year	224,654	1,401,855	2,251,099	370,122	4,247,730
At 31 December 2019	**1,383,396**	**1,401,855**	**2,251,099**	**2,621,221**	**7,657,571**

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed above.

Collateral and other credit enhancements
Ijarah receivables and other receivables from customers are secured by way of title documents of the property.

Credit quality for class of financial assets that are neither past due not impaired
Neither internal credit grading system nor external credit grades are used by the Group to manage the credit quality of receivables. Receivable balances are monitored on an ongoing basis.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Liquidity risk

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

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2019 and 31 December 2018 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately and are included in less than three months.

	Less than 3 months KD	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
2019				
Islamic finance payables	**3,484,955**	**13,844,726**	**18,243,026**	**35,572,707**
Accounts payable and accruals*	**524,055**	**7,177,234**	**-**	**7,701,289**
Total	**4,009,010**	**21,021,960**	**18,243,026**	**43,273,996**
2018				
Islamic finance payables	2,258,110	18,742,353	22,033,089	43,033,552
Accounts payable and accruals*	436,059	6,811,721	-	7,247,780
Total	2,694,169	25,554,074	22,033,089	50,281,332

* *Excludes advances from customers amounting to KD 44,954,030 as at 31 December 2019 (2018: KD 44,970,456).*

20.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices. Market risks arise for open positions in profit, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rate foreign exchange rates and equity prices. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and the directors' estimate of long and short term changes in fair value.

20.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit will affect future cash flows or the fair values of financial instruments. The Group's borrowings are in the form of Murabaha and Ijarah which are Islamic financing instruments with a fixed rate of profit. Consequently the Group is not exposed to profit risk.

20.3.2 Currency risk

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

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

	Currency	*Change in currency rate in %*	*Effect on profit or loss KD*
31 December 2019	**AED**	(+/-) 5	**272,014**
31 December 2018	AED	(+/-) 5	290,499

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

21 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, Islamic financing payables, less bank balances and cash.

	2019 ***KD***	*(Restated)* *2018* *KD*
Islamic financing payables (Note 15)	**35,382,413**	41,881,159
Less: bank balance and cash (Note 13)	**(726,846)**	(807,094)
Net debt	**34,655,567**	41,074,065
Equity	**38,553,039**	54,256,875
Capital and net debt	**73,208,606**	95,330,940
Gearing ratio	**47%**	43%

22 FAIR VALUE MEASUREMENTS

22.1 Financial instruments

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

		Fair value measurement using		
31 December 2019	***Total*** ***KD***	***Quoted prices in active markets (Level 1)*** ***KD***	***Significant observable inputs (Level 2)*** ***KD***	***Significant unobservable inputs (Level 3)*** ***KD***
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	**1,075,819**	**-**	**-**	**1,075,819**

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

22 FAIR VALUE MEASUREMENTS (continued)

22.1 Financial instruments (continued)

Valuation techniques
The Group invests in structured entities that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a NAV based valuation technique for these positions. The NAV of the investments is adjusted, as necessary, to reflect considerations such as market liquidity discounts and other specific factors related to the investments. Accordingly, such instruments are included within Level 3

For all other financial assets and liabilities, management assessed that the carrying value approximates fair value.

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

31 December 2019	***Financial assets at FVOCI KD***
As at 1 January 2019	**1,715,934**
Disposals	**(657,000)**
Exchange differences	**16,885**
As at 31 December 2019	**1,075,819**

31 December 2018 (restated)	*Financial assets at FVOCI KD*
As at 1 January 2018	2,590,908
Loss on derecognition recognised directly in accumulated losses (Note 24)	(843,000)
Exchange differences	(31,974)
As at 31 December 2018	1,715,934

Description of significant unobservable inputs to valuation:
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2019 are as shown below:

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	20% (2018: 20%)	10% (2018: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 107,582 (2018: KD 511,787)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

22 FAIR VALUE MEASUREMENTS (continued)

22.2 Non-financial assets

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

	Significant observable inputs (Level 2) KD	*Total KD*
31 December 2019		
Investment properties (Note 8)	**15,287,477**	**15,287,477**
31 December 2018 (restated)		
Investment properties (Note 8)	23,813,875	23,813,875

Level 2 hierarchy

The fair value of investment properties under the Level 2 hierarchy were determined using the market comparable approach, conducted by valuators considering recent transaction prices of the property and similar properties. Market price per square meter and annual income are the significant observable market inputs to the valuation.

23 SUBSEQUENT EVENT

Subsequent to the reporting date, the coronavirus (COVID-19) outbreak has resulted in a high volatility in the financial markets worldwide. The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve.

As at authorisation date of these consolidated financial statements, a reliable estimate of the effect on the carrying values of its investment property cannot be made due to the uncertainty involved in determining the effect on the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2019. The Group is aware that real estate sector in the UAE and the region at large is negatively impacted, and as the situation continues to unfold, the Group continuously monitors the market outlook and uses relevant assumptions in reflecting the values of its investment property. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements.

24 RETROSPECTIVE RESTATEMENT

- On 17 February 2019, the Group signed a memorandum of understanding (MoU) with a local financial institution to settle credit facilities amounting to KD 20,399,604 representing the principal amount of the credit facilities and related finance costs up to 31 December 2018, through an in-kind payment of KD 19,432,305. As a result, the Group was required to adjust the carrying amounts of certain assets to write down these assets to their net realisable value as of the end of the immediately preceding financial year ended 31 December 2018 to reflect the settlement after the reporting date as this is considered an adjusting event as per IAS 10 '*Events After the Reporting Period*' ("IAS 10").

- During the current year, the Group revealed that certain treasury shares held by a subsidiary had been sold in prior years and were incorrectly included in equity of the immediately preceding financial year (i.e. 31 December 2018) and the beginning of the comparative period (i.e. 1 January 2018). As a result, the opening balance of each affected component of equity has been restated to correct the error.

24 RETROSPECTIVE RESTATEMENT (continued)

The effect of the restatement is summarised below:

	31 December 2018			*31 December 2017*		
Consolidated statement profit and loss	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*
Loss for the year	(1,686,881)	(29,991,958)	(31,678,839)	-	-	-
Basic and diluted loss per share attributable to equity holders of the parent	(1.53) fils	(27.47) fils	(29) fils	(3.63) fils	0.02 fils	(3.61) fils

	31 December 2018			*31 December 2017*		
Consolidated statement of comprehensive income	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*
Total comprehensive loss for the year	(1,226,128)	(29,991,958)	(31,218,086)	-	-	-

	31 December 2018			*31 December 2017*		
Consolidated statement of cash flows	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*
Net cash flows from operating activities	1,419,541	(137,041)	1,282,500	-	-	-
Net cash flows used in investing activities	(585,586)	137,041	(448,545)	-	-	-
Net cash flows used in financing activities	(833,763)	-	(833,763)	-	-	-

24 RETROSPECTIVE RESTATEMENT (continued)

	31 December 2018			*1 January 2018*		
Consolidated statement of financial position	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*	*As previously reported KD*	*Effect of restatement KD*	*After restatement KD*
ASSETS						
Non-current assets						
Properties under development	106,355,625	(24,914,056)	81,441,569	-	-	-
Investment properties	28,891,777	(5,077,902)	23,813,875	-	-	-
Financial assets at fair value through other comprehensive income	2,558,934	(843,000)	1,715,934	-	-	-
Total assets	179,666,406	(30,834,958)	148,831,448	-	-	-
EQUITY AND LIABILITIES						
Equity						
Treasury shares	(538)	-	(538)	(1,473,038)	1,472,500	(538)
Accumulated losses	(33,556,541)	(30,834,958)	(64,391,499)	(30,397,160)	(1,472,500)	(31,869,660)
Total equity	85,091,833	(30,834,958)	54,256,875	86,317,961	-	86,317,961

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