ANNUAL REPORT 2019

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H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al Sabah
The Emir of the State of Kuwait

H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince of the State of Kuwait

IFA Hotels & Resorts a leading international developer of mixed-use resorts

31 Projects

13 Countries

4 Continents

Over 9,000 keys

Project Highlights:

Middle East
Balqis Residence, Palm Jumeirah, Dubai
Residence, Palm Jumeirah, Dubai
Fairmont the Palm, Dubai
Fairmont Heritage Place, The Palm, Dubai
The8, Palm Jumeirah, Dubai
The Palm Residence, Dubai
Laguna Tower, Dubai
Movenpick Hotel , Jumeirah Lakes Towers

Africa & Indian Ocean
Entabeni Private Game Reserve, South Africa
Fairmont Zimbali Lodge, South Africa
Fairmont Zimbali Resort, South Africa
Fairmont Heritage Place, Zimbali, South Africa
Zimbali Costal Resort, South Africa
Zimbali Lakes Resort, South Africa
Zimbali office Estate, South Africa
Legend Golf & Safari Resort, South Africa
Zebra Lodge, South Africa
Zimbali Boulevard Suites, South African

Europe & North America
Pine Cliffs Resort, Portugal

Financial Year Results Ending 31 December 2019

Net profit (KD)
(22,524,025)

Earnings Per Share (Fils)
(37.03)

	2019	2018
Currency	KD	KD
Total Income	75,554,135	57,055,997
Shareholders' Equity	17,132,946	40,991,283
Net Profit	(22,524,025)	(19,251,197)
Earnings Per Share (Fils)	(37.03)	(31.65)
Total Assets	279,448,788	344,748,557

	2019	2018
Currency	USD	USD
Total Income	249,312,440	188,210,447
Shareholders' Equity	56,535,047	135,217,823
Net Profit	(74,324,451)	(63,503,866)
Earnings Per Share (Cent)	(122.19)	(104.40)
Total Assets	922,121,063	1.137,221,036

Board Members

Talal Jassim Al-Bahar, Chairman
Ibrahim Saleh Al-Therban, Vice Chairman
Marzouq Jassim Al-Bahar, Board Member
Bander Sulaiman Al-Jarallah, Board Member
Emad Abdullah Al-Essa, Board Member
Pedro Manuel Vilas Boas, Board Member

Message from the Chairman and Vice Chairman

Dear Shareholders, For the fiscal year 2019, IFA Hotels & Resorts recorded year-end revenue of KD75.5 million (US$249.3 million), with a net loss attributable to the Owners of the parent company totaling KD22.5 million (US$74.3 million) which is 37 fils per share.

Shareholders' equity decreased to KD17.1 million (US$56.5 million) while the company's total assets decreased by 19% to KD279.4 million (US$922.1 million) compared to KD344.7 million) (US$1,137 billion) for 2018.

The GCC generally saw a lethargic overall picture in 2019 with regional growth below that experienced in 2018. KSA, the region's largest economy, only grew by 0.2% and in the UAE by 1.6%. These are significant reductions on growth numbers from the previous year. Hospitality in particular saw significant changes in market dynamics with supply delivery outstripping growth in demand, the Dubai room supply jumped to 132,000 by the end of the year.

2019 was a landmark year in the completion of the residential component and the start of handover for The8 in Dubai on Palm Jumeirah. The final part of the residential component of Balqis Residence was also completed and handovers in both projects are either almost complete or well progressed.

Focus on both projects will now turn to the completion of the hotel and other facilities, which will add both significant hospitality capacity, as well as lay the groundwork for the vacation club business. The majority of construction work has completed in both projects towards this goal.

IFA Real Estate Services branding exercise has been completed and rolled out in both the B2B and B2C divisions.

In South Africa during 2019 the company faced significant challenges that led to the suspension of construction on our Zimbali Lakes Development. These challenges were due to work force issues that erupted within local areas in South Africa. The result was that any further development was on hold until November 2019 when all construction recommenced. Transfer of sold properties as a result has moved from 2020 to the 1st quarter of 2021.

On a very positive note the Boulevard Suites (Apartment Scheme) was launched in 2019 and was fully sold out, finance for the top structure was secured through a local bank. Construction on Boulevard Suites and Boulevard PAD North will commence 1st quarter 2020. There is still a strong interest in the North Coast and the Zimbali Brand that we believe will bode well going into the next couple of years.

Overall operating revenues within the hospitality sector were negatively impacted throughout 2019 in South Africa. Electricity blackouts or load shedding as it is called had a negative impact on the economy. Political infighting, the collapse of SOE's and the delay in decisive action led to further downward pressure on revenues to the industry. Notwithstanding these obstacles, Fairmont Zimbali had an improved performance on 2019. Overall Revenue increased by 5.4%, GOP expanded to 27 % and EBITDAR was up 29%. Room occupancy improved by 6 percentage points compared with 2018. This resulted from a strategy of elevating our share of the conference market.

The sale of Vacation Club weeks has steadily improved with the year closing on R24M in revenue recognized, a 5.2% increase from prior year.

To conclude, 2019 has continued globally and regionally to be a relatively slow and soft environment to work within. Irrespective of this challenging environment, the Group has achieved two key completion goals in new developments as well as sustaining our positions well in the hospitality space despite large increases in supply. Concentration in 2020 will be continuing to progress the completion of hospitality assets, sales and yielding of newly completed residential assets and the growth of our operating businesses.

As ever, I take this opportunity to reiterate our gratitude to our shareholders and the key members of our management and staff for their support and endeavors towards our Group's success.

Sincerely,

Talal Jassim Al-Bahar
Chairman

Ibrahim Saleh Al-Therban
Vice Chairman

Annual Governance Report

For Financial Year Ended 31 December 2019

Message from the Chairman

Dear Shareholders and Stakeholders,

The Board of Directors of IFA Hotels & Resorts K.S.C. (Public) ("IFAHR") is pleased to present to you the Company's annual Governance Report for the financial year ended 31 December 2019.

This report is prepared in accordance with rules and regulations issued by Capital Markets Authority – Kuwait ("CMA") and resolutions:

- No. (25) of 2013 of the CMA Board of Commissioners Concerning Issuing Corporate Governance Regulations for Companies Regulated by Capital Markets Authority;
- No. (124) of 2018 Regarding Amending Some Provisions of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments;
- No. (96) of 2019 Regarding Amending Some Provisions of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments; and
- No. (118) of 2019 Regarding Amending Some Provisions of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments

The Board of Directors believes that good governance is a key factor in ensuring sound management of the Company for the benefit of the Company, its shareholders and stakeholders.

IFAHR is committed to maintaining the highest standards of Corporate Governance in its day-to-day transactions, complying fully with Corporate Governance rules for companies regulated by CMA and listed on Boursa Kuwait.

During 2019, the Board of Directors reviewed, updated and approved all Governance's charters and policies as follows:

- Board of Directors' Charter
- Audit Committee Charter
- Nomination and Remuneration Committee Charter
- Chairman – Job Description
- Board/Committee Secretary – Job Description
- Professional Code of Conduct and Ethics
- "Conflict of Interest" Policy
- "Investors Relations" Policy
- "Related Party Transactions" Policy
- Shareholders' Policy
- Stakeholders' Policy
- Corporate Social Responsibility Policy

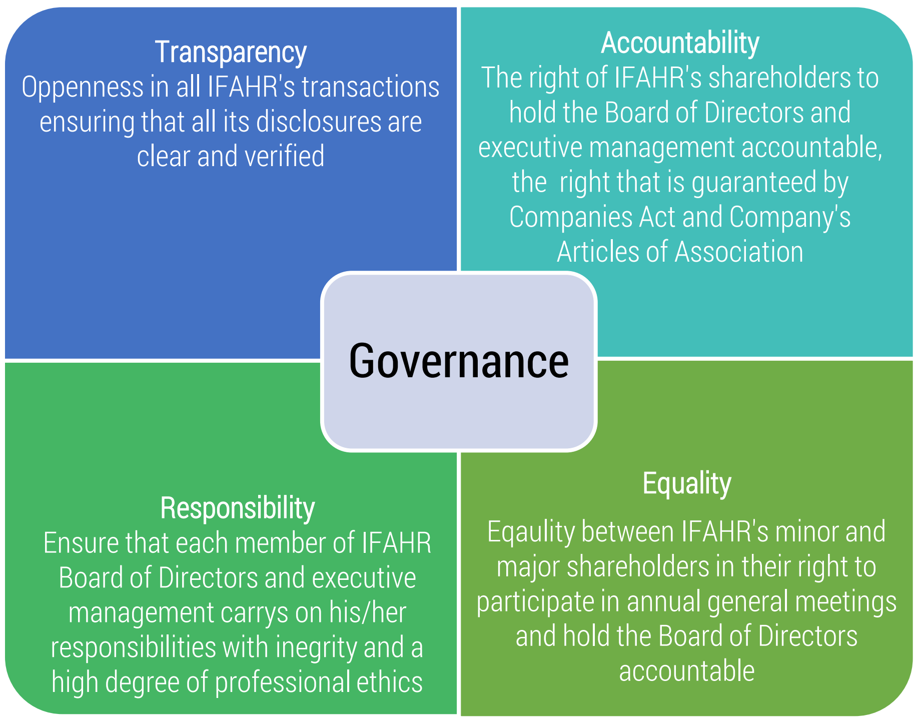
Finally, and on behalf of my fellow Board Members, I would like to thank all Shareholders, Stakeholders, and employees for their trust and continued support.

Sincerely,

Talal Jassim Al-Bahar
Chairman

Preface

Corporate Governance is one of the essential pillars which IFA Hotels & Resorts relies on for its role in organizing the relationship between shareholders, executive management and Board of Directors, through defining each party's rights and responsibilities. Governance aims to promote the principles of *transparency, accountability, responsibility and equality.*



Rule I: Board of Directors – Composition and Structure

The Board of Directors of IFAHR is the authority that has all the necessary powers to carry out the Company's business, except those that are confined to the General Assembly in accordance with Companies Act No. (1) of 2016 and the Company's Statute. The Board of Directors is responsible for supporting the management, maintaining a strategic direction, ensuring efficiency and effectiveness, maintaining integrity and accountability in the Company, responding to shareholders' requests, attending regular meetings of the Board, maintaining the Company's mission and vision, reviewing and approving internal audit reports.

Board of Directors' Composition

IFAHR is managed by a Board of Directors that consists of six members, elected by the General Assembly of Shareholders by secret ballot (Article 13 of the Company's Statute). The term of the Board of Directors is three years, subject to renewal. Members of the Board of Directors elect the Chairman and the Vice Chairman by secret ballot (Article 18 of the Company Statute).

Following is a brief on the current members of the Board of Directors, elected during the Company's General Assembly on 30 May 2018:

Name	(Executive/Non-Executive/Independent Member)/Secretary	Education & Qualifications	Election/Appointment Date
Talal Jassim Al-Bahar	Chairman, Non-Executive	Bachelor Degree in Business Administration from Loyola Marymount University Experience: 15 years in Investment and Real Estate Development Previous positions: ▪ Vice Chairman-Al-Deera Holding Company ▪ Chairman & Managing Director-Kuwaitinvest Holding Company ▪ Vice Chairman-International Financial Advisors Holding Company Current Positions: ▪ Vice Chairman & CEO-Kuwait Real Estate Company ▪ Board Member-Commercial Real Estate Company ▪ Board Member-Boursa Kuwait Securities Co. ▪ Board Member-1st Takaful Insurance Company ▪ Chairman-United Investments (Portugal) ▪ Board Member-Kingdom Beirut ▪ Board Member-Miami International Holding ▪ Board Member-Miami Stock Exchange (MIAX)	30 May 2018
Ibrahim Saleh Al-Therban	Vice Chairman, Non-Executive	Bachelor Degree in Commerce with Honor from Kuwait University Experience: 41 years in Investment and Real Estate Previous positions: ▪ Lecturer-Faculty of Economics and Commerce-Kuwait University ▪ Manager, Foreign Investments Dep-Kuwait Investment Authority ▪ General Manager-Kuwait International Investment Company ▪ Board Member-Industrial Investment Company Current positions: ▪ Chairman-Kuwait Real Estate Company ▪ Board Member-Arzan Financial Group for Finance & Investment ▪ Board Member-United Investments Portugal	30 May 2018
Emad Abdullah Al-Essa	Board Member, Non-Executive	Bachelor Degree in Business Administration from California State Polytechnic University Experience: 31 years in Investment and Real Estate Previous positions: ▪ CEO-Kuwait Real Estate Company ▪ General Manager-Aqar Real Estate Investment Company ▪ Managing Director: Briendenbachor-Hof Hotel, Germany Current positions: ▪ Board Member-Arzan Financial Group for Finance & Investment	30 May 2018

Name	(Executive/Non-Executive/Independent Member)/Secretary	Education & Qualifications	Election/Appointment Date
Marzouq Jassim Al-Bahar	Board Member, Non-Executive	Bachelor Degree in Business Studies, specialization Liberal Studies and Economics from California State University Northridge Experience: 10 years in Real Estate and Food sector Previous positions: N/A Current positions: ▪ Board Member-Kuwait Real Estate Company ▪ Board Member-Al-Wafir Marketing Services Company ▪ CEO-IFA Food	30 May 2018
Bander Sulaiman Al-Jarallah	Board Member, Independent	Bachelor Degree in Business Administration from California State University Experience: 15 in Trade, Industry and Transportation sectors Previous positions: N/A Current positions: ▪ Founder & CEO-Al-Fouz International Company ▪ CEO-Kuwait Cotton Products Company ▪ Managing Director-Al-Jarallah Transportation Group	30 May 2018
Pedro Manuel Vilas Boas	Board Member, Non-Executive	Master Degree in management from UCP (Católica Lisbon School of Business & Economics Experience: 29 years in Investment Banking Previous position: ▪ Investment banking divisions- Millennium Investment Banking Current position: ▪ Deputy General Director-Banco Comercial Portugues ▪ CEO- of BCP Capital	28 November 2018
Heba Jaber Ibrahim	Board Secretary	Board Secretary Certification – HAWKAMAH (The Institute of Corporate Governance) Experience: 21 years in Investment and Real Estate Company	30 May 2018

IFA Hotels & Resorts Board of Directors meetings during the financial year ended on 31 December 2019

The Board of Directors held six meetings during 2019 as follows:

Name	BOD #1 28 Mar 2019	BOD #2 15 May 2019	BOD #3 8 Aug 2019	BOD #4 30 Sep 2019	BOD #5 14 Nov 2019	BOD #6 12 December 2019	No. of Meetings
Talal Jassim Al-Bahar Chairman, Non-Executive	√	√	√	√	√	√	6
Ibrahim Saleh Al-Therban Vice Chairman, Non-Executive	x	√	√	√	√	√	5
Marzouq Jassim Al-Bahar Board Member, Non-Executive	√	√	√	√	√	√	6
Emad Abdullah Al-Essa Board Member, Non-Executive	x	√	√	√	√	√	5
Bander Sulaiman Al-Jarallah Board Member, Independent	√	√	√	√	√	√	6
Pedro Manuel Vilas Boas Board Member, Non-Executive	√	√	√	X	√	X	4
Heba Jaber Ibrahim Board Secretary	√	√	√	√	√	√	6

Registering, coordinating and archiving minutes of Board meetings

The Board of Directors has set up a special register where minutes of Board meetings are recorded and archived in serial and chronicle order, defining place and date of the meetings as well as commencement and ending time.

The Board has also appointed a Secretary and specified her roles in line with the level of responsibilities assigned to her. The Board Secretary is responsible for preparing minutes of Board meetings and all other documents or reports referred by/to the Board, ensuring that Board members are following the approved procedures, and archiving signed minutes of meetings, advising Board members of meetings three working days before the meeting. Additionally, the Board Secretary is responsible for the good delivery and distribution of information and liaising between Board members and stakeholders including liaising between shareholders and different departments within the Company. Finally, the Board Secretary is responsible for providing full and quick access to Board members of all minutes of meetings, information, and records.

Rule II: Establish Appropriate Roles and Responsibilities

Board of Directors

The Board of Directors represents the balance point between the Executive Management and shareholders and strives to achieve the Company's strategic objectives by ensuring that the Executive Management performs its tasks to the fullest, works to enhance the competitiveness of the Company, works to maximize profits, and that decisions and procedures of Executive Management are always in the interest of shareholders.

Formation date: 30 May 2018

Duration: 3 years

Members:
- Talal Jassim Al-Bahar
- Ibrahim Saleh Al-Therban
- Marzouq Jassim Al-Bahar
- Emad Abdullah Al-Essa
- Bander Sulaiman Al-Jarallah
- Pedro Manuel Vilas Boas

Responsibilities:
- Approving company major goals, strategies, plans and policies.
- Approving phase and annual financial information.
- Ensuring the company's commitment to policies and procedures that procure the company's compliance with internal applicable rules and regulations.
- Safeguarding accuracy and validity of the data and information to be disclosed in accordance with applicable disclosure and transparency policies and rules.
- Establishing effective communication channels that enable the company shareholders periodic and continuous access to company various activities and any essential developments therein.
- Monitoring performance of each member of a Board of Directors and executive management member subject to Key Performance Indicators (KPIs).
- Preparing an annual report to be cited in the annual general assembly including the requirements and procedures of completing corporate governance rules and commitment degree thereof.
- Ensuring that company certified policies and conditions are transparent and clear so that resolutions' taking and wise governance principles are applied. This in addition to separating authorities of both the Board of Directors and Executive Management.
- Determining the authorities delegated to the Executive Management, the decision-making procedures and the duration of the commissioning.
- Supervising and monitoring the performance of the Executive Management as well as ensure that they perform all their duties.
- Setting a policy regulating the relationship with stakeholders to protect their rights.
- Setting a mechanism to regulate dealings with Related Parties to avoid conflicts of interest.

Achievements in 2019:
- Supervised the performance of the Executive Management as well as ensure that they perform all their duties.
- Reviewed and approved period and annual financial statement for the Company and its subsidiaries.
- Monitored the performance of each member of a Board of Directors and executive management members.
- Prepared the annual report to be cited in the annual general assembly.
- Reviewed all Risk Management Report.
- Reviewed and updated policies and charters related to the Board of Directors and its Committees

No. of meetings: 6 Meetings

Responsibilities of the Chairman

The Chairman is responsible for leading the Company toward achieving its strategic goals. He also leads the Board of Directors, oversees the fulfilment of their roles, approves the agendas of Board meetings, discusses recommendations, strategic initiatives, estimated budgets, and investment opportunities with Board members, assures the mechanism to assess the performance of members of the Board of Directors and executive management and communicates with shareholders. The Chairman may delegate some of his responsibilities to members of the Board of Directors, Committees, or CEO as he deems appropriate. Finally, the Chairman coordinates with the CEO on financial and Human Resources matters to achieve the desired objectives and monitor the overall performance of the Company periodically.

During 2019, the job description for the Chairman of the Board was reviewed, updated and approved by the Board.

Responsibilities of Board Members

The Non-Executive Directors provide independent suggestions/feedback on strategic matters, assess the executive management performance in achieving the approved goals, monitor the Company's performance, oversee the proper implementation of corporate governance rules, and ensure that priority is given to the Company in the event of any conflict of interest. Non-executive Directors also review the integrity of financial information and controls ensuring the adequacy and effectiveness of these controls, and provide their diverse skills and experience to the Board or its various committees through their active participation in Board meetings and general assemblies.

Board of Directors' Code of Conduct

IFAHR's Board of Directors is committed to the highest standards of integrity and professional code of conduct and ethics. The Board of Directors represents the interest of shareholders, follows the values of the company and conducts its transactions in an honest and fair manner. The Board also acts in good faith and serves the interests of the Company and shareholders as well as promotes a culture of ethical conduct.

Board of Directors' Charter

The Company has set up a Charter that clarifies the responsibilities and authorities of the Board of Directors.

During 2019, the charter was reviewed, updated and approved by the Board.

Board of Directors' Committees

In compliance with Article 3-11, Chapter 3 of Book 15, "Corporate Governance", the Board has formed three independent committees to enable it to carry out its functions effectively. The Board has defined the functions of each committee, the duration of its work, the powers granted to it during this period and how the Board of Directors should control it.

Audit Committee

Formation date: 30 May 2018

Duration: 3 years

Members:
- Marzouq Jassim Al-Bahar-Chairman, Non-Executive
- Ibrahim Saleh Al-Therban-Member, Non-Executive
- Bander Sulaiman Al-Jarallah-Member, Independent

Responsibilities:
- Approving company major goals, strategies, plans and Review periodical financial statements prior to their submission to the Board of Directors and provide the Board with opinion and recommendation concerning them, in order to ensure accuracy and transparency of financial statements.
- Provide the Board of Directors with its recommendations concerning the appointment, re-appointment, or replacement of the External Auditors, and specify the remunerations thereof.
- Follow up works of external Auditors and ensure no services other than services related to audit functions are provided to the company.
- Review remarks of external auditors on the company financial statements and follow up measures taken regarding them.
- Consider the applied accounting policies and provide the Board of Directors with opinion and recommendation in this regard.
- Evaluate the extent of sufficiency of internal audit systems in place, and prepare a report including the opinion and recommendations of the committee in this regard.
- Supervise the company's internal audit department, in order to ensure its effectiveness in performing the operations and tasks assigned by the board of directors.
- Review the results of the internal audit reports and ensure that the necessary corrective actions were taken concerning the observations stated in such reports.
- Review the outcomes of regulatory bodies' reports and ensure that necessary measures were taken in this regard.
- Verify the company compliance with related rules, policies and regulations.

Achievements in 2019:
- Reviewed periodical financial statements prior to their submission to the Board of Directors and provide the Board with opinion and recommendation concerning them, in order to ensure accuracy and transparency of financial statements.

- Provided the Board of Directors with its recommendations concerning the re-appointment the external Auditor.
- Followed up works of external Auditor and ensure no services other than services related to audit functions are provided to the company.
- Reviewed remarks of external auditors on the company financial statements and follow up measures taken regarding them.
- Evaluate the extent of sufficiency of internal audit systems in place, and prepare a report including the opinion and recommendations of the committee in this regard.
- Supervise the company's internal audit department
- Verified the company compliance with related rules, policies and regulations
- Held periodic meetings with the external auditor and Internal Audit.

No. of meetings: 5 Meetings

Risk Management Committee

Formation date: 30 May 2018

Duration: 3 years

Members:
- Ibrahim Saleh Al-Therban-Chairman, Non-Executive
- Emad Abdullah Al-Essa-Member, Non-Executive
- Bander Sulaiman Al-Jarallah-Member, Independent

Responsibilities:
- Prepare and review risk management strategies and policies prior to getting them approved by the board of directors and verify the application of such strategies and policies and that they are appropriate to the company's nature and level of activities.
- Ensure the provision of resources and systems sufficient for risk management.
- Evaluate systems and mechanisms of identifying, measuring and monitoring various types of risks that may face the company, in order to identify areas of weakness.
- Assist the Board of Directors to identify and evaluate the company's acceptable risk level, and ensure that the company does not exceed such level after it approved by the Board of Directors.
- Review the organizational structure of risk management and provide recommendations in this regards prior to its approval by the Board of Directors.
- Verify the independence of the risk management employees from activities that result in subjecting the company to risks.
- Verify that the risk management employees fully understand the risks surrounding the company and raise awareness of employees concerning risk culture.
- Prepare periodical reports concerning the nature of risks facing the company and submitting such reports to the company's Board of Directors.
- Review issues raised by the related audit committee, which may affect risk management in the company.
- The risk management committee shall hold periodical meetings at least quarterly per annum and when necessary and it shall prepare the minutes thereof.

Achievements in 2019:
- Reviewed financial risks and assessed their impact on Company's activities.
- Reviewed operational risks and assessed their impact on Company's activities.
- Discussed the comments/notes detailed in the Risk Management report on the risks the Company encounters.

No. of meetings: 4 Meetings

Nomination & Remuneration Committee

Formation date: 30 May 2018

Duration: 3 years

Members:
- Talal Jassim Al-Bahar-Chairman, Non-Executive
- Marzouq Jassim Al-Bahar-Member, Non-Executive
- Bander Sulaiman Al-Jarallah-Member, Independent

Responsibilities:
- Recommending nomination and re-nomination acceptance for Members of a Board of Directors and executive management members.
- Setting a clear policy for Members of a Board of Directors and Executive Management members' remunerations, along with annual review of the required proper skills needs for Board membership.
- Ensuring that Members of a Board of Directors independency is valid.
- Preparing a detailed annual report for all remunerations given to Members of a Board of Directors and executive management members; whether cash or benefits or privileges, of whatever nature and title.

		However, this report shall be referred to the general assembly for approval and to be read by the Board chairman.
Achievements in 2019:	•	Ensured the independency of the independent Board Member, Mr. Bander Sulaiman Al-Jarallah.
	•	Prepared a detailed annual report for all remunerations given to Members of a Board of Directors and Executive Management members; whether cash or benefits or privileges, of whatever nature and title to be read by the Board Chairman.
No. of meetings:	1 Meeting	

Mechanism that Enables Board Members Obtain Timely Information and Data

IFAHR has set mechanisms and tools to enable Board of Directors obtain information and data in a timely manner through developing the Information Technology in the Company, creating channels of direct communication between the Board Secretary and Board Members, providing reports and meeting topics well in advance for their discussion and decision-making.

Rule III: Recruit Highly Qualified Candidates for the Members of a Board of Directors and the Executive Management

Forming the Nomination & Remuneration Committee

After the Annual General Meeting held in 29 May 2018, the Board of Directors formed the Nomination and Remuneration Committee that consist of three Non-Executive Board Members (one Independent member). The Board also set the duration of the Committee, its duties and authorities.

The Company has also set a clear policy for granting remuneration, including the determination of the remuneration of the Chairman and Members of the Board of Directors, without prejudice to the provisions of the Companies Act and its Executive Regulations in this regard. The Company also has a clear remuneration policy for the Executive Management and employees. This policy takes into consideration the recruitment and retention of the best competencies of staff, the equality of employees within the company, and the transparency of awarding bonuses.

<u>During 2019, the Nomination and Remuneration Committee charter was reviewed, updated and approved by the Board of Directors.</u>

IFAHR's Nomination Policy

Article (15) of the Company's Statutes: "Any person nominated for Board directorship shall meet the following requirements:

1. He/she shall have legal capacity to act.
2. He/she shall not be convicted of criminal offence with the punishment of incarceration, the crime of negligent, bankruptcy or fraud, crime against honor or honesty or any crime in violation of the provisions of this law, unless he has been vindicated.
3. With exception of independent members, he/she shall personally hold or be the representative of someone who holds a number of shares in the Company.

If a member of the Board of Directors fails to satisfy any of the above requirements or any other requirements as may be stipulated in the Company Statute, he shall lose the capacity to be a member as of the date such requirement falls away."

IFAHR's Remuneration Policy

Article (24) of the Company Statutes: "The aggregation of remuneration of the Chairman and members of the Board of Directors may not exceed 10% of the net profits after deducting any depreciation and reserves and distributing profit dividends of at least 5% of the Company's capital to shareholders. An annual remuneration of six thousand Kuwaiti Dinars may be distributed to the Chairman and each member of the Board of Directors as of the date of incorporation of the Company until it realizes sufficient profits that allow the Company to pay remuneration and subject to AGM resolution, the independent member of the Board may be exempted from the limits set for the remuneration."

Report of Remuneration Granted to Members of the Board of Directors and Executive Management as of 31 December 2019

Rewards & Benefits Granted to Board of Directors and Executive Management	
Executive Management	Amount in KD
Fixed Remuneration (including fixed wages and basic salaries)	0
End of Service	0
CEO & VP Finance	Amount in KD
Fixed Remuneration (including fixed wages and basic salaries)	132,000
End of Service	6,346
Board of Directors	Amount in KD
Benefits, cash, privileges and attendance fees	0

Rule IV: Safeguard the Integrity of Financial Reporting

Written Undertaking of the Soundness and Integrity of Financial Reporting

The Executive Management has submitted a written undertaking to the Board of Directors ensuring the soundness and integrity of financial reports, that they were prepared in accordance with International Financial Report Standards and cover all the financial aspects. The Board of Directors also submitted a written undertaking to the shareholders, to enforce Executive Management accountability to the Board of Directors and the Board accountability to shareholders.

Executive Management Undertaking of the Soundness and Integrity of Financial Reports

The Executive Management of IFA Hotels & Resorts K.S.C. (Public) undertakes that all financial reports submitted to the Board of Directors are presented fairly and integrally and cover all financial aspects of the Company's operating data and results. The Executive Management also undertakes that all financial reports have been prepared in accordance with International Accounting Standards that are approved by Capital Markets Authority-Kuwait.

Name	Title	Signature
Loay Saber Radwan	Finance Manager	

Board of Directors' Undertaking of the Soundness and Integrity of Financial Reports

The Board of Directors of IFA Hotels & Resorts K.S.C. (Public) undertakes the accuracy, integrity and soundness of the periodic financial information and the annual financial statements furnished to the external auditor and that the Company's financial reports are presented in a sound and fair manner and in accordance with the International Financial Reporting Standards (IFRS) applicable in the State of Kuwait and approved by Capital Markets Authority-Kuwait. The Board of Directors also undertakes that the reports represent the Company's financial position for the year ended 31 December 2019, based on the information and reports provided by the Executive Management and the external auditor and that due care was exercised to ensure the soundness and accuracy of such reports.

Name	Title	Signature
Talal Jassim Al-Bahar	Chairman	
Ibrahim Saleh Al-Therban	Vice Chairman	
Emad Abdullah Al-Essa	Board Member	
Marzouq Jassim Al-Bahar	Board Member	
Bandar Sulaiman Al-Jarallah	Board Member	
Pedro Manuel Villas Boas	Board Member	

Forming the Audit Committee

After the Annual General Meeting held on 29 May 2018, the Board of Directors formed the Audit Committee that consist of three Non-Executive Board Members (one Independent member). The Board also set the duration of the Committee, its duties and authorities. The composition of the Committee is consistent with the nature of the company's activity and is fully independent.

During the year 2019 there was no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors.

External Auditor Independence

The Annual General Meeting appoints the Auditor of the Company based on the recommendations of both the Board of Directors and Audit Committee. Moreover, the Auditor must be registered at Capital Markets Authority-Kuwait.

At its meeting held on 23 May 2018, the Annual General Assembly approved the appointment of Messrs. Grant Thornton-Al Qatami, Al Aiban & Co. as the Company's Auditor for the financial year ended 31 December 2019.

The Company confirms the independence of the External Auditor and ensures that they are not performing other services other than the audit services, which may affect neutrality and independence.

Rule V: Applying Sound Systems of Risk Management and Internal Control Systems

Forming Risk Department/Office/Unit

The Company has outsourced a specialized and independent consultancy firm to provide Risk Management services. The outsourced firm is independent as per Decision No. 124 of 2018 regarding the amendment of some provisions of Module Fifteen (Corporate Governance) of the Executive Bylaws of Law No. 7 of 2010, regarding the establishment of Capital Markets Authority and regulating securities activities and their amendments and the amendment to item 3 Article 6-3 to "Officials of risk department/ office, unit shall be independent through the direct affiliation thereof to the Risk Management Committee. In addition, they shall assume a significant extent of powers, in order to perform their roles properly without being granted financial powers and authorities".

Forming the Risk Management Committee

After the Annual General Meeting held in 29 May 2018, the Board of Directors formed the Risk Management Committee that consist of three Board Members, Chaired by Non-Executive Member. The Board also set the duration of the Committee, its duties and authorities.

Risk Management Systems:

Elements of Internal Control Systems

1. Organizational Structure

   The Company's organizational structure defines responsibilities and delegates authorities with clear unambiguous structural relationship. It also reflects Company's investment strategies and structure. The Board of Directors is keen on selecting and appointing a high-calibre CEO known for good integrity and technical experience in the Company's work field. Additionally, the Board of Directors approves the appointment of Senior Executive Management who will be working under the supervision of the CEO. The Executive Management is provided with sufficient supervision to ensure its fulfilling the role entrusted to it and in line with Company's objectives and to ensure the implementation of the policies approved by the Board.
2. Delegation of Authorities

   The Board of Directors has delegated authorities to the Executive Management, through a written financial and operational authority's matrix, to carry out the day-to-day operations with the supervision of the CEO. Other financial transaction which cannot be delegated to the Executive Management and CEO and requires the approval of the Board of Directors are clearly clarified. The CEO is fully responsible for the management of the Company as well as the assessment of its performance. Additionally, the CEO runs the Company's in accordance to the strategies objectives and policies approved by the Board of Directors.
3. Information Technology

   The Company uses a set of advanced systems of international standards and effectively contribute to internal control and provide accurate and transparent information.
4. Internal Control Procedures

   Internal Control Procedures include internal control, accounting and internal control systems which are applied periodically. Clear procedures to enable employees contact the Chairman of the Company to report their concerns about the possibility of irregularities or wrongdoing have been set. The procedures ensure that whistle-blowers are guaranteed adequate protection and are not subjected to threats or disciplinary action even if such concerns are invalid.
5. Internal Control Documentation System

   All documents related to internal control systems are classified and archived for use in staff training and examinations that are designed to efficiency and effectiveness of the systems. Job descriptions for all jobs have been created with detailed descriptions of duties and responsibilities.
6. Availability of High Calibre Employees

   The Company sought to hire high calibre employees locally to carry out the implementation of internal control procedures effectively and efficiently.

Forming Internal Audit Activity

The Internal Audit Function structurally follows the Audit Committee and is outsourced to a third party. The outsourced entity ensures the integrity of the internal control procedures that are directed towards all Company's operations, protection of its resources, ensuring the accuracy of financial reports according to accounting standards and compliance with applicable laws. Internal Audit also assists the Company in achieving its objectives through the implementation of a system aimed at improving risk controls components, enforcing internal control procedures and strengthen corporate governance implementation. All Internal Audit reports are submitted to the Audit Committee.

Review of Internal Control Systems by an Independent External Entity

Internal Control Systems are reviewed and evaluated annually by a specialized independent consultancy firm. The annual review includes:

- Monitor and control procedures regarding the efficiency and effectiveness of internal control systems that are essential to the protection of the Company's assets, soundness of its financial statements and adequacy of its administration, accounting and financial operations.
- Compare the Company's risk factors against existing systems to determine the efficiency of its day-to-day operations and address unexpected market changes.
- Assess the performance of the Executive Management in the implementation of internal control systems.
- Investigate any failure or weaknesses in implementing internal control or emergency situations that affected or may affect the financial performance of the Company as well as steps taken to address them

The Company commissioned an independent external auditing firm to review and evaluate internal control systems and prepare Internal Control Report (ICR).

Rule VI: Promote Code of Conduct and Ethical Standards

Code of Conduct

The Board of Directors of IFA Hotels & Resorts has set standards that promote ethical conducts and values to reflect and enhance the image and reputation of the Company. The ethics of professional conduct affirm the commitment of all employees, whether Board Members, Executive Management Members or employees in general to internal policies and regulations and to the implementation of all regulatory requirements which will result in:

- Promote honest and ethical behaviour that positively reflects on the Company
- Strengthen confidence in the integrity of the Company and its financial system
- Maintain an effective institutional environment
- Strengthen the principle of compliance with rules and regulations governing the Company's activities and operations and ensure that the Company's assets and resources are not exploited for personal interests.

Conflict of Interests

In accordance with the Corporate Governance rules issued by Capital Markets Authority-Kuwait, the Company has developed a "Conflict of Interests" policy. This policy aims at ensuring that the appropriate procedures are used to identify and deal with cases of conflict of interest, and that the Board of Directors addresses such cases professionally and effectively, whether existing or potential and that all decisions taken are in the Company's interests and in accordance with regularity bodies. Moreover, the Executive Management implements the policies approved by the Board.

During 2019, the "Conflict of Interests" policy was reviewed, updated and approved.

Rule VII: Ensure Timely and Detailed Disclosures and Transparency

Accurate disclosures and transparency are key pillars of Corporate Governance that allow shareholders to exercise their rights to the fullest and are an effective tool for influencing corporate behaviour and protecting investors. In order to strengthen the mechanism of timely and accurate disclosure of all significant information related to the Company, IFAHR has developed systems and policies for disclosures with the target of achieving fairness and transparency, preventing conflicts of interest and using internal information. Also, the policy aims to regulate Company disclosure procedures for material information in accordance with Corporate Governance guidelines.

The Company provides Boursa Kuwait and Capital Markets Authority with accurate, comprehensive and timely information along with annual reports, financial statements and press releases that are periodically published through the media. The Board of Directors is fully responsible for verifying the veracity, accuracy and integrity of the information disclosed and ensuring the compliance with the Company's approved policy.

Forming Investors' Affairs Unit

Company established an Investors' Affairs Unit, responsible for providing data, information, and reports related to potential investors. The Unit is reasonably independent, in a manner that allows it to provide data, information, and reports timely and accurately.

During 2019, the "Investor Relations" policy was reviewed, updated and approved.

Rule VIII: Respect the Rights of Shareholders

"Protecting Shareholders' Rights" Policy

IFAHR is committed to protecting its shareholders' rights in a way that maintains the interest of the shareholders and the Company. As part of the Company's overall Corporate Governance framework, a "Shareholders Right" policy was developed to ensure Company's commitment to respecting and protecting shareholders' rights in accordance with relevant laws and regulations.

"Shareholders Rights" policy is part of the Board of Directors commitment to set standards to protect shareholders' rights and update these standards when necessary to reflect changes in the laws and regulations issued by regulatory bodies.

IFAHR is committed to ensuring that all shareholders exercise their rights fairly without any breach.

Additionally, the Company is committed to protecting the shareholders' assets from any misuse by the Management of the Company, the Board of Directors or major shareholders. Articles of Association emphasize the equal treatment of all shareholders without discrimination and the Company shall not withhold any of the above rights under any circumstances, or set criteria for shares that would discriminate between classes of shares.

Maintain Special Register at the Clearing Company

The Company maintains a special register at the Clearing Agency, in which names, nationality, domicile and number of Shares owned by each holder is recorded. The register of shareholders records any changes to the registered data according to the data received by the Company or the Clearing Agency.

Participation of Shareholders in General Assembly Meeting

The Company ensures that all shareholders exercise their rights fairly and without any violation of such rights, including the right to attend and participate in General Assembly Meetings and vote on its resolutions. The Company's Articles of Association stipulate that each shareholder, regardless of the number or classification of shares he/she owns, has the right to attend and vote in General Assembly Meetings with number of votes equivalent to the number of votes for class of shares.

Invitation to attend General Assembly Meetings are extended to shareholders through publication in local newspapers.

The Company encourages all its shareholders to attend General Assembly Meetings and vote on their resolutions, including the election of Member for the Board of Directors. Moreover, the shareholder has the right to appoint another person to attend the General Assembly Meetings on his/her behalf through a special proxy and has access to all information and reports related to items on General Assembly Meeting's Agenda, particularly Board of Directors report, Independent Auditor report and financial statements, prior to the meetings.

IFAHR encourages shareholders to actively participate in General Assembly Meetings, discuss issues/items on the Agenda and other matters related to Company's activities and ask questions to the Board of Directors and Independent Auditor, who would thereafter, answer their questions as much as possible without affecting the Company's interest.

Rule IX: Recognize the Role of Stakeholders

Stakeholders' Right

IFAHR is committed to protecting the rights of all stakeholders, creating wealth and jobs and maintaining a sustainable financial position for the Company. As part of the Company's Governance framework, the Company has developed a "Stakeholders Policy" to ensure that the rights of stakeholders are respected and protected by the Company. Therefore, the Board of Directors is responsible for setting the standards for protecting the rights of all stakeholders and for updating these standards as and when appropriate to reflect changes in the provisions of laws, bylaws and instructions issued by regulatory bodies.

<u>Board of Directors' responsibilities toward stakeholders</u>:

- Appointing specialized Executive Management team.
- Supervising the Company's affairs effectively and efficiently.
- Adopting effective policies and supervising major policies applied.
- Familiarizing with Company's position and performance.
- Maintaining an adequate capitalization of the Company
- Complying with laws, bylaws and regulations

Encourage Stakeholders' Participation

IFAHR protects the rights of the stakeholders by:

- Treating all stakeholders fairly and equally
- Allowing all stakeholders access to information about the Company and its activities
- Developing a whistleblowing policy that sets out the procedures and guidelines for notifying the respective authorities of any inappropriate or infringing behaviour in the Company until a corrective action is taken in a timely manner. This policy reflects the Company's commitment to the codes of professional and ethical conduct by help creating an environment that enables Company employees, Executive Management and Board members to express any concerns or misconduct while ensuring that the person is protected.
- IFAHR continuously emphasizes the use of its official website and publishes the required information, announcements and reports. The information available on the official website includes annual reports, quarterly reports, financial information, market disclosures and other information as well as other disclosures required by Capital Markets Authority and other regulatory bodies.

Rule X: Encourage and Enhance Performance

Assessment and Development of the Board

In accordance with Corporate Governance Bylaws, issued by Capital Markets Authority, the Company developed a mechanism for the assessment of the Board of Directors' performance. It reflects the continuous dedication to improving the Board's performance and its supervisory role, in addition to the performance of each committee and each individual Board Member. The Board of Directors conducts, under the supervision of the Chairman of the Board and through the Nominations and Remuneration Committee, at least annually, an assessment of its performance which addresses the efficiency and effectiveness in carrying out their responsibilities.

The evaluation is based on an assessment matrix approved by the Board of Directors and focuses on four (4) key areas:

- Composition of the Board of Directors and Committees
- Responsibilities and duties
- Relationship with Shareholders and Stakeholders
- Meetings: Attendance and effective participation

The Board has established a formal process, led by the Chairman, for the annual evaluation of the performance of the Board and its appointed committees to ensure that they continue to act effectively and efficiently and to fulfil their respective duties and identify any training requirements.

The performance of the Chairman was appraised by the Non-Executive Members, also the performance of CEO was appraised by the Chairman. The process confirmed that all directors continued to contribute effectively and with proper commitment to their role.

The results of 2019 performance assessment for the Chairman, Board/Committee Secretary and Committee came as follows:

Performance	Scale	Result
Board of Directors	100%	92%
Chairman	100%	97%
Board Secretary	100%	95%
Audit Committee	100%	92%
Risk Management Committee	100%	93%
Nomination & Remuneration Committee	100%	96%

During 2019, members of the Board of Directors and executive management attending a professional workshop.

Value Creation

The Board of Directors creates corporate values through achieving strategic objectives and enhancing performance by:

- Approving the strategic direction of the Company and its vision and mission
- Reviewing and approving the Company's business plans, policies and charters including the inherent level of risk in these plans
- Approving relevant key performance objectives and monitoring the overall performance of the Company
- Approving the Company's organizational structures and performance related periodic reviews
- Ensuring the Company's compliance with the approved policies and procedures
- Approving and developing the internal policies and charters and ensuring transparency.

Rule XI: Corporate Social Responsibility

IFA Hotels & Resorts has an established Corporate Social Responsibility (CSR) policy that ensures the balance between the objectives of both the Company and community. The Company's understanding of CSR reflects a clear commitment to sustainable development.

During 2019, Corporate Social Responsibility policy as reviewed, updated and approved.

Audit Committee's Report on the Adequacy of Internal Control Systems

For Financial Year Ended 31 December 2019

Audit Committee's report on the adequacy of the Company's internal control systems for financial year ended 31 December 2019

Introduction

This report was prepared based on the Capital Markets Authority ("CMA") requirement per article number 5-7 (item number 6) in CMA's Executive Bylaws - Module Fifteen: Corporate Governance ("Corporate Governance Bylaws"). This report was prepared by the Audit Committee of IFA Hotels and Resorts Co. ("IFA H&R") to be submitted to IFA H&R's Board of Directors.

Period Covered

The financial year ended 31 December 2019.

Audit Committee

The Audit Committee meet at least four times per annum as per its approved terms of reference (Charter).

All the members were elected from the Board of Directors and their term is for three years.

Conflict between the Audit Committee and the Board

During 2019, no conflict was arising between the recommendations of the Audit Committee and the Board resolutions.

Audit Committee Responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of the Corporate Governance Bylaws. We further report that we have conducted our affairs in compliance with this charter.

F/Ss External Auditor's Independence and Effectiveness

Based on the Audit Committee's recommendation to the Board of Directors, the Ordinary General Assembly of IFA H&R appointed the Financial Statements External Auditor - Mr. Anwar Y. Al-Qatami from Grant Thornton – Al-Qatami, Al-Aiban & Partners ("F/Ss External Auditor").

We have:

- Reviewed the scope of his work and the terms of his contract;
- Verified his independence, objectivity and fairness;
- Ensured that he did not provide any technical or administrative works that are beyond his scope of work, and provides his opinion thereon; and
- Assessed his performance.

We are satisfied with the F/Ss External Auditor's Independence and Effectiveness during the year under review.

Evaluation of Financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the F/Ss External Auditor; internal auditors and the Executive Management;
- Reviewed changes in accounting policies and practices;
- Reviewed IFA H&R's compliance with legal and regulatory provisions; and Reviewed significant adjustments and noted none resulting from the audit.

We concur with and accept the F/Ss External Auditor's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the F/Ss External Auditor.

The effectiveness of internal control

In line with the Corporate Governance Bylaws requirements:

a) IFA H&R has two active Board committees in addition to the Audit Committee:
   - Risk Management Committee.
   - Nomination and Remuneration Committee.

b) Internal Audit Activity provides the Audit Committee and IFA H&R Management Team with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process (financial and non-financial), as well as the identification of corrective actions and suggested enhancements to the controls and processes.

c) An independent audit firm (other than the F/Ss External Auditor) was appointed to conduct Internal Control Review ("ICR") for year ended 31 December 2019 (same like previous years). We have reviewed and discussed the ICR Report (copy of this report will be submitted to CMA). Accordingly, we can report that the system of internal control over the reporting period under review was efficient and effective.

During 2019, IFA H&R did not get any penalty from any Supervisory authority in the State of Kuwait. From the various reports of the Internal Auditors, ICR and the Audit Report on the annual financial statements, it was noted that there were no indicated material deficiencies in the system of internal controls, therefore, the system of IFA H&R's internal control is efficient and effective.

Internal Audit

We are satisfied that the internal audit activity (outsourced) is operating effectively and that it has addressed the risks pertinent to IFA H&R in its audits. The Internal Audit completed their 2019 annual plan as approved by the Audit Committee.
We have met with the Internal Auditors during the year to ensure that the activity is executed effectively and objectively.

We are satisfied with the content and quality of reports prepared and issued by the internal auditors of IFA H&R during the year under review.

During 2019; and as required by Corporate Governance Bylaws (Article number 6-9), we hired another auditing firm to review and evaluate the internal audit activities during the last three years and provided the Board of Directors a copy of the report.

Marzouq Jassim Al-Bahar
Chairman – Audit Committee

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Hotels & Resorts

Consolidated financial statements and Auditor’s report
IFA Hotels and Resorts – KPSC and Subsidiaries

For Financial Year Ended 31 December 2019

Grant Thornton
Al-Qatami, Al-Aiban & Partners

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Report on the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018, with early adoption permitted either based on a full retrospective or modified retrospective application. At the end of the year 2015, the Group reviewed the impact of IFRS 15 on its revenue and elected to early adopt the standard using a modified retrospective application from 1 January 2015. The resulting revenue is recognized as per the percentage of completion. The revenue recognized during the year ended 31 December 2019 in respect of properties under development amounting to KD49,551,417 (2018: KD29,797,974) is material to the consolidated financial statements, and is based on significant judgments and assumptions such as determining the percentage of completion at a point in time, and assessing how control passes to the buyer, due to which it is significant to our audit. Accordingly, we considered this as a key audit matter. Refer to notes 4.6, 5.1.2, 5.2.4 and 7 for more information on revenue recognition.

Our audit procedures included, among others, using the report of an independent valuation expert to verify the percentage of completion of each development project as at the reporting date, and critically assessing the methods and assumptions used by the expert. Further, we assessed the adequacy and appropriateness of the disclosures in relation to the accounting policies adopted and the critical judgments and assumptions made.

Cost of completion

IFRS 15 'Revenue from Contracts with Customers' requires the Group to estimate the cost to complete the development projects, in order to determine the cost attributable to the revenue being recognized in a particular period. The cost of revenue recognized in the Group's consolidated financial statements includes a portion of the cost expected to be incurred to complete the property units for which revenue is being recognized. Determination of the expected costs of completion is highly judgmental and involves complex assumptions including the consideration of historical patterns, past experiences, industry averages, quotations, rates of inflations and future market expectations etc., and accordingly we considered this as a key audit matter. Refer to notes 4.6.7 and 5.2.5 for more information on cost of completion.

Our audit procedures included, among others, obtaining an understanding of the significant cost components, as well as a critical assessment of the validity and accuracy of the estimates and assumptions and discussions with the project development team based on targeted inquires made to them. The reasonableness of the basis used for estimates was tested, and the supporting data used to devise those estimates were studied and the adequacy of the disclosures in relation to critical judgments and assumptions made, were also assessed.

Carrying value of properties under development

Under IFRS, the Group is required to carry its properties under development at the lower of cost and net realizable value. This requires management to estimate the current market selling prices of the unsold units and to compare them to the estimated costs of the units which remain unsold as at the reporting date. This assessment requires significant management judgments and assumptions, mainly over the estimated price at which a unit is likely to sell, and is prone to subjectivity since establishing the reliability of sources used to draw comparisons of market prices is critical. Further, every seller in the market is expected to have a different motive and circumstance, and similarly every unit of property in a project may not have homogenous specifications. Accordingly, we considered this as a key audit matter. Refer to notes 4.13, 5.2.7 and 20 for more information on properties under development.

Our audit procedures included determination of the reasonableness of the estimated selling prices of the unsold property units. We inquired and observed management's estimates in the light of current market prices of properties of comparable sizes and characteristics in the area through the use of online real estate trading portals, as well as recent pattern of variations between actual selling prices and pre-sale estimated selling prices. We also assessed the adequacy of the disclosures in relation to the critical judgments and assumptions.

Group audit and subsidiaries

The Group has a large number of subsidiaries, which are significant to the Group's consolidated financial statements. The geographically dispersed structure increase the complexity of the Group's control environment and our ability as a Group auditor to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the subsidiaries to the Group's consolidated financial statements, this is considered as a key audit matter. Refer to notes 4.2, 4.3, 4.26, 5.1 and 6.1 for more information on the basis of consolidation, related judgements and the consolidated subsidiaries.

Our audit procedures included, among others, determining the nature and extent of audit procedure to be carried out for subsidiaries and selecting significant subsidiaries based on the size and/or risk profile of these subsidiaries. During our audit we considered the geographical diversity of the Group's structure and have extended our involvement in local audit work performed by the component auditors. We organized meetings and held discussions with components in our audit scope. We, further discussed the audit approach with significant subsidiaries auditors and also provided detailed instructions to them covering the significant areas and risks to be covered including the identification of related parties and transactions with them. We also set out the information required to be reported back to us as part of the group reporting.

Other information included in the Group's 2019 annual report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this Auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait

Consolidated statement of profit or loss

	Notes	Year ended 31 Dec 2019 KD	Year ended 31 Dec 2018 KD
Revenue	7	75,554,135	57,055,997
Cost of revenue		(60,108,339)	(43,268,391)
Net income		15,445,796	13,787,606
Net income from ticket sale and related services		194,783	323,813
Fees and commission income		768,785	648,109
Share of results of associate	6.2	(39,673)	(53,094)
Change in fair value of investment properties	17	(1,696)	28,449
Gain on sale of investment properties	17	81,431	71,122
Impairment in value of assets	10a	(3,976,088)	(684,789)
Interest income	8	160,826	226,316
Other income	9	3,028,810	303,933
		15,662,974	14,651,465
Expenses and other charges			
Staff costs		3,664,732	3,641,740
Sales and marketing expenses		2,091,614	2,078,872
Other operating expenses and charges	10b	18,543,810	16,881,728
Depreciation	14	3,882,050	3,883,677
Finance costs	11	9,525,903	9,403,901
Total expenses and other charges		37,708,109	35,889,918
Loss for the year from continuing operations		(22,045,135)	(21,238,453)
Discontinued operations			
(Loss)/profit for the year from discontinued operations		(571,333)	1,740,270
Loss before taxation		(22,616,468)	(19,498,183)
Tax credit relating to overseas subsidiaries	12	36,137	159,069
Loss for the year		(22,580,331)	(19,339,114)
Attributable to:			
Owners of the Parent Company		(22,524,025)	(19,251,197)
Non-controlling interests		(56,306)	(87,917)
		(22,580,331)	(19,339,114)
Basic and diluted loss per share attributable to the owners of the Parent Company	13	(37.03) Fils	(31.65) Fils

The notes set out on pages 13 to 94 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

		Year ended 31 Dec 2019 KD	Year ended 31 Dec 2018 KD
Loss for the year		(22,580,331)	(19,339,114)
Other comprehensive income:			
Items to be reclassified to consolidated statement of profit or loss in subsequent periods:			
Reserve for financial drevatives	29	(1,282,310)	-
Reclassification to profit or loss	11.b	244,629	-
Exchange differences arising on translation of foreign operations		(458,123)	(1,955,778)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods		(1,495,804)	(1,955,778)
Items not to be reclassified to profit or loss in subsequent periods			
Net changes in fair value arising during the year for equity investments classified as FVOCI		(421,081)	(203,180)
Other comprehensive loss not being reclassified to profit or loss in subsequent periods		(421,081)	(203,180)
Other comprehensive loss for the year		(1,916,885)	(2,158,958)
Total comprehensive loss for the year		(24,497,216)	(21,498,072)
Attributable to:			
Owners of the Parent Company		(24,448,902)	(21,418,240)
Non-controlling interests		(48,314)	(79,832)
		(24,497,216)	(21,498,072)

The notes set out on pages 13 to 94 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Notes	31 Dec. 2019 KD	31 Dec. 2018 KD
Assets			
Non-current assets			
Goodwill		1,140,905	1,141,332
Property, plant and equipment	14	97,356,216	102,727,352
Capital work in progress	15	45,071,714	46,876,804
Right-of-use assets	16	2,745,765	-
Investment properties	17	1,014,611	2,952,589
Investment in associates	6	10,643,972	10,328,467
Investments at fair value through other comprehensive income	18	1,021,774	2,392,025
Total non-current assets		158,994,957	166,418,569
Current assets			
Accounts receivable and other assets	19	62,905,265	39,926,835
Properties under development	20	17,297,997	76,526,938
Trading properties	21	34,439,523	5,427,736
Cash and cash equivalents	22	5,811,046	56,448,479
Total current assets		120,453,831	178,329,988
Total assets		279,448,788	344,748,557
Equity and Liabilities			
Equity			
Equity attributable to the owners of the Parent Company			
Share capital	23	63,543,420	63,543,420
Share premium	23	12,519,938	12,519,938
Treasury shares	24	(12,550,973)	(12,550,973)
Statutory reserve	25	660,881	660,881
Voluntary reserve	25	660,881	660,881
Cumulative changes in fair value		(137,997)	(690,182)
Foreign currency translation reserve		(10,511,167)	(10,045,052)
Reserve for financial derivatives		(1,037,681)	-
Accumulated losses		(36,014,356)	(13,107,630)
Total equity attributable to the owners of the Parent Company		17,132,946	40,991,283
Non-controlling interests		(338,497)	(288,056)
Total equity		16,794,449	40,703,227

Consolidated statement of financial position, cont.

	Notes	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current liabilities			
Term loans	26	89,555,794	66,059,164
Retention payable	27	1,514,643	5,106,176
Lease liabilities	28	812,949	-
Derivative financial instrument	29	1,010,164	-
Employee's end of service benefits		1,601,961	1,463,941
Total non-current liabilities		94,495,511	72,629,281
Current liabilities			
Due to related parties	35	74,283,648	62,613,096
Retention payable	27	3,127,359	3,031,172
Accounts payable and other liabilities	30	60,049,512	54,904,881
Lease liabilities	28	1,539,540	-
Term loans	26	21,322,266	102,867,734
Derivative financial instrument	29	271,632	-
Advances received from customers	31	7,564,871	7,999,166
Total current liabilities		168,158,828	231,416,049
Total liabilities		262,654,339	304,045,330
Total equity and liabilities		279,448,788	344,748,557

Talal Jassem Mohammed Al-Bahar
Chairman

The notes set out on pages 13 to 94 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company											
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Reserve for financial derivatives	Accumulated losses KD	Sub - Total KD	Non-controlling interests KD	Total KD
Balance as at 31 December 2018	63,543,420	12,519,938	(12,550,973)	660,881	660,881	(690,182)	(10,045,052)	-	(13,107,630)	40,991,283	(288,056)	40,703,227
Adjustments arising from adoption of IFRS 16 on 1 January 2019 (Note 3.1)	-	-	-	-	-	-	-	-	590,565	590,565	(2,127)	588,438
Balance as at 1 January 2019 (Restated)	63,543,420	12,519,938	(12,550,973)	660,881	660,881	(690,182)	(10,045,052)	-	(12,517,065)	41,581,848	(290,183)	41,291,665
Loss for the year	-	-	-	-	-	-	-	-	(22,524,025)	(22,524,025)	(56,306)	(22,580,331)
Total other comprehensive loss for the year	-	-	-	-	-	(421,081)	(466,115)	(1,037,681)	-	(1,924,877)	7,992	(1,916,885)
Total comprehensive loss for the year	-	-	-	-	-	(421,081)	(466,115)	(1,037,681)	(22,524,025)	(24,448,902)	(48,314)	(24,497,216)
Realised loss on investments at IFVTOCI	-	-	-	-	-	973,266	-	-	(973,266)	-	-	-
Balance as at 31 December 2019	63,543,420	12,519,938	(12,550,973)	660,881	660,881	(137,997)	(10,511,167)	(1,037,681)	(36,014,356)	17,132,946	(338,497)	16,794,449

The notes set out on pages 13 to 94 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company										
	Share capital KD	Share premium KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Accumulated losses KD	Sub - Total KD	Non-controlling interests KD	Total KD
Balance as at 31 December 2017	63,543,420	12,519,938	(12,519,938)	660,881	660,881	(487,002)	(8,081,189)	6,891,703	63,188,694	5,062,511	68,251,205
Adjustments arising from adoption of IFRS 9 on 1 Jan 2018	-	-	-	-	-	-	-	(748,136)	(748,136)	-	(748,136)
Balance as at 1 January 2018 (Restated)	63,543,420	12,519,938	(12,519,938)	660,881	660,881	(487,002)	(8,081,189)	6,143,567	62,440,558	5,062,511	67,503,069
Purchase treasury shares	-	-	(31,035)	-	-	-	-	-	(31,035)	-	(31,035)
Increase in non-controlling interest due to capital increase of subsidiary	-	-	-	-	-	-	-	-	-	462,666	462,666
Decrease in non-controlling interest due to disposal of subsidiary (note 6.1.4)	-	-	-	-	-	-	-	-	-	(5,733,401)	(5,733,401)
Transactions with owners	-	-	(31,035)	-	-	-	-	-	(31,035)	(5,270,735)	(5,301,770)
Loss for the year	-	-	-	-	-	-	-	(19,251,197)	(19,251,197)	(87,917)	(19,339,114)
Total other comprehensive (loss) / income for the year	-	-	-	-	-	(203,180)	(1,963,863)	-	(2,167,043)	8,085	(2,158,958)
Total comprehensive loss for the year	-	-	-	-	-	(203,180)	(1,963,863)	(19,251,197)	(21,418,240)	(79,832)	(21,498,072)
Balance as at 31 December 2018	63,543,420	12,519,938	(12,550,973)	660,881	660,881	(690,182)	(10,045,052)	(13,107,630)	40,991,283	(288,056)	40,703,227

The notes set out on pages 13 to 94 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2019 KD	Year ended 31 Dec 2018 KD
OPERATING ACTIVITIES			
Loss for the period from continuing operations		(22,045,135)	(21,238,453)
Adjustments:			
Change in fair value of investment properties		1,696	(28,449)
Share of results of associate		39,673	53,094
Interest income		(160,826)	(226,316)
Depreciation of property, plant and equipment		3,882,050	3,883,677
Depreciation of right of use assets		1,557,206	-
Finance costs		9,525,903	9,403,901
Reversal of borrowings		(2,336,941)	-
Impairment of assets		3,976,088	684,789
Net gain on sale of investment properties		(81,431)	(71,122)
Provision for employee end of service benefit		333,234	488,328
		(5,308,483)	(7,050,551)
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(22,978,430)	(16,613,727)
Properties under development		59,289,478	4,110,495
Trading properties		(30,758,872)	3,880,171
Accounts payable and other liabilities		5,144,631	11,491,548
Due to related parties		11,670,552	17,281,290
Advances received from customers		(440,868)	7,079,269
Net cash from operations		16,618,008	20,178,495
Payment of employee end of service benefit		(194,655)	(422,277)
Net cash from operating activities		16,423,353	19,756,218
INVESTING ACTIVITIES			
Net additions of property, plant and equipment		(1,026,999)	(2,530,199)
Proceed on disposals of investment properties	17	1,218,074	1,609,120
Proceed on disposals of investment in associate		-	(5,386,167)
Addition to associates		(357,766)	-
Net cash flow on disposal of subsidiary	6.1	1,954,796	(3,118,563)
Proceeds from sale of investments at FVOCI		949,170	-
Additions to capital work in progress		(16,051)	(15,569)
Interest income received		160,826	226,316
Net cash from/(used in) investing activities		2,882,050	(9,215,062)

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2019 KD	Year ended 31 Dec 2018 KD
FINANCING ACTIVITIES			
(Decrease)/Increase in retentions		(3,495,346)	2,280,521
Net (Decrease)/increase of term loans		(54,564,966)	48,921,028
Net movement of derivative financial instrument		1,037,167	-
Purchase of treasury shares		-	(31,035)
Movement of non-controlling interest		-	(5,270,812)
Repayment of lease liabilities		(3,407,948)	-
Finance costs paid		(9,531,637)	(8,106,986)
Net cash (used in)/ from financing activities		(69,962,730)	37,792,716
Net (decrees)/increase in cash and cash equivalents		(50,657,327)	48,333,872
Cash and cash equivalents at beginning of the year	22	56,448,479	8,114,607
Cash and cash equivalents at end of the year	22	5,791,152	56,448,479

The notes set out on pages 13 to 94 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and Activities

IFA Hotels and Resorts was established as a limited liability Company on 19 July 1995, under the name "Offset Consulting and Project Management Company – WLL – Najwa Ahmed Abdelaziz Al-Qatami and Partners". On 14 May 2005, the Company's name and legal status was changed to IFA Hotels and Resorts – Kuwaiti Public Shareholding Company.

IFA Hotels and Resorts – KPSC "the Parent Company" and its subsidiaries are collectively referred to as the "Group" in the consolidated financial statements. Details of subsidiaries are set out in note 6.

The Parent Company is principally engaged in the following:

- Developing, managing and marketing hotels and resorts.
- Purchasing, selling and development of real estate and land on behalf of the Company within or outside the State of Kuwait. In addition, managing trust holdings, as well as trading private residential plots, in a manner that is not in violation of the laws relevant to these activities and their respective provision.
- Holding, purchasing, and selling shares and bonds of real estate companies based both in Kuwait and outside Kuwait, solely for the Company's benefit and purposes.
- Providing and presenting studies and consultations on all types of real estate issues, subject to the relevant conditions required of these services.
- Performing maintenance services relating to buildings and real estate owned by the Company including all types of maintenance work and the implementation of civil, mechanical, electrical, elevator and air conditioning related works whose purpose it is to preserve these buildings and to ensure their well-being.
- Organizing private real estate exhibitions to promote the real estate Company's projects, in accordance with the ministry's regulations.
- Preparing real estate auctions.
- Holding and managing commercial and residential complexes.
- Utilization of excess cash in the Company's possession by investing in financial and real estate portfolios which are managed by specialized and professional parties.
- Direct participation in the establishment of building foundations for residential, commercial, maintenance, touristic, urban, and athletic buildings and projects using the "Build-Operate-Transfer" (BOT) method and using BOT to manage the real estate location either for the Company's, or other parties, benefit.
- The Company is also permitted to subscribe and have interests in any activities of parties that are performing similar activities or that otherwise will help the Company realize its objectives within or outside Kuwait. The Company is permitted to participate in construction, to cooperate in joint ventures, or to purchase these parties either fully or partially.

Up to the 30th June 2018, the Parent Company was a subsidiary of International Financial Advisers (IFA) – KPSC, a Company listed in Kuwait and Dubai, UAE stock exchanges.

The address of the Parent Company's registered office is Souk Al-Kuwait Building Block A, Floor 8, Darwazat Al-Abdulrazzak, State of Kuwait.

The Parent Company's shares are listed in Kuwait Stock Exchange.

Notes to the consolidated financial statements (continued)

1 Incorporation and Activities (continued)

The board of directors of the Parent Company approved these consolidated financial statements for issuance on 9 April 2020 The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Statement of compliance

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

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

Standard or Interpretation	Effective for annual periods beginning
IFRS 16 Leases	1 January 2019
IAS 28 – Amendments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019

Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the consolidated financial statements of the Group.

IFRS 16 Leases

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

Transition on date of initial application:

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

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

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

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

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IFRS 16 Leases (continued)

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

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.96%.

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

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

	31 December 2018	Adjustment	1 January 2019
	KD	KD	KD
Accounts receivable and other assets	39,926,835	(210,939)	39,715,896
Right-of-use assets	-	4,300,726	4,300,726
Lease liabilities	-	4,967,437	4,967,437
Accumulated losses attributable to owners of the Parent Company	(13,107,630)	590,565	(12,517,065)
Non-controlling interests	(288,056)	(2,127)	(290,183)

The Group presents right-of-use assets and lease liabilities separately in the consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 31 December 2019 amounted to KD2,745,765 and KD2,352,489 respectively.

Depreciation charge for right-of-use assets and amortised cost on lease liabilities for the current year amounted to KD1,557,206 and KD797,994 and are included in “operating expenses” and “finance costs” respectively in the consolidated statement of profit or loss.

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

Under IFRS 16, an intermediate lessor accounts for the head-lease and sub-lease as two separate contracts. Because of this change, the Group has reassessed certain of its sub-lease agreements.

The new accounting policy for leases is detailed in Note 4.9.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.1 New and amended standards adopted by the Group (continued)

IAS 28 – Amendments

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

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

Annual Improvements to IFRSs 2015-2017 Cycle

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

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

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

3.2 IASB Standards issued but not yet effective and not early adopted

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

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

Standard or Interpretation	Effective for annual periods beginning
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments	No stated date
IFRS 3 – Amendments	1 January 2020
IAS 1 and IAS 8 – Amendments	1 January 2020

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

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

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective and not early adopted (continued)

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

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

IFRS 3 – Amendments

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

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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

IAS 1 and IAS 8 – Amendments

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

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

4 Summary of Significant accounting policies

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

4.1 Basis of preparation

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entitities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting date 31 December using consistent accounting policies. The details of the significant subsidiaries are set out in Note 6 to the consolidated financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

4.3 Business combinations

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.3 Business combinations (continued)

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

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

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

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

4.4 Investment in associates, joint ventures and joint operations

4.4.1 Investment in associates and joint ventures

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in associates and joint ventures are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate and joint venture is not recognised separately and is included in the amount recognised as investment in associates and joint ventures.

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.4 Investment in associates and joint ventures (continued)

4.4.1 Investment in associates and joint ventures (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate and joint ventures. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate and joint ventures is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint ventures and its carrying value and recognises the amount under a separate heading in the consolidated statement of profit or loss.

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

4.4.2 Investment in joint operations

A joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly
- Its liabilities, including its share of any liabilities incurred jointly
- Its revenue from the same of its share of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly

A joint operator accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation in accordance with the relevant IFRSs.

The acquirer of an interest in a joint operation in which the activity constitutes a business as defined in business combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11. These requirements apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interest are not re-measured).

4.5 Segment reporting

The Group has four operating segments: property development, hoteliering, investments and others. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

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

4.6 Revenue recognition

Revenue arises from the sale of properties, rendering of services and investing and real estate activities. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

4.6.1 Revenue from contracts with customers

IFRS 15 'Revenue from Contracts with Customers' outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model, explained below, which will apply to revenue arising from contracts with customers.

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.6 Revenue recognition (continued)

4.6.1 Revenue from contracts with customers (continued)

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract which has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue as and when the Group satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- The Group's performance creates or enhances an asset that the customer controls as is the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance obligations completed to date.

The Group allocates the transaction price to the performance obligations in a contract, based on the input method, which requires revenue recognition on the basis of the Group's efforts or inputs to the satisfaction of the performance obligations. The Group estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment excluding taxes and duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or an agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable can be measured reliably.

4.6.2 Revenue from hotel operations and other related services

Revenue from hotel includes hotel services revenue, food and beverage and room revenue.

Revenue from rooms, food and beverage and other related services is recognised when the room is occupied, food and beverages are sold and other related services are performed.

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.6 Revenue recognition (continued)

4.6.3 Beach club revenue
Revenue from beach club and related services are recognised when the services are rendered.

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

4.6.5 Fees and commission income
Fees and commission income is recognised when earned.

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

4.6.7 Cost of sale of properties
Cost of sale of properties includes the cost of land and development costs. Development costs include the cost of infrastructure and construction. The cost of sales in respect of sale of condominiums is recognised on the basis of per square feet average cost of construction. Per square feet average cost of construction is derived from total saleable area and total construction cost.

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

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

4.9 Leased assets
The Group as a lessee

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.9 Leased assets (continued)

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

Measurement and recognition of leases as a lessee
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

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

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.10 Property, plant and equipment and depreciation

Property, plant and equipment, are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated to write-off the cost less the estimated residual value of property, plant and equipment on a straight-line basis over their estimated useful lives as follows:

Buildings	50 years
Plant and Equipment	5-7 years
Motor vehicles	4-5 years
Furniture, fixtures and equipment	5-7 years
Kitchen equipment and accessories	3-10 years

Lease hold property is depreciated over the period of the lease.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

4.11 Capital work in progress

Capital work-in-progress includes land which is stated at cost less impairment in value, if any. The carrying value of land is 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 value exceeds the estimated recoverable amount, the value of land is written down to its recoverable amount. Capital work-in-progress also includes the cost of construction, design and architecture and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are capitalised as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are capitalised.

4.12 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers where the market value are not readily available and are included in the consolidated statement of financial position. Where the market values are readily available, the fair value is ascertained based on latest transactions deal in the open market. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of for profit or loss in the year of retirement or disposal.

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.13 Property under development

Property under development represents properties under development/construction for trade, which are stated lower of cost or net realisable value.

Cost includes the cost of land, construction, design and architecture, and other related expenditures such as professional fees, project management fees and engineering costs attributable to the project, which are accrued as and when activities that are necessary to get the assets ready for the intended use are in progress. Direct costs from the start of the project up to completion of the project are accrued to property under development. Completion is defined as the earlier of the issuance of the certificate of practical completion, or when management considers the project to be completed. Net realisable value is estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make sale. Upon completion, unsold properties, if any, are transferred to trading properties. Properties under development is disclosed net of transfer to cost of properties sold under IFRS 15.

4.14 Trading properties

Trading properties include purchase and development costs of completed unsold real estate properties. Development costs include planning, maintenance and service costs. Trading properties are recorded at the lower of cost and net realizable value.

Cost are those expense incurred in bringing each property to its present condition. Net realisable value is based on estimated selling price less any further cost expected to be incurred on disposal.

4.15 Impairment testing of goodwill and non-financial assets

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.16 Financial instruments

4.16.1 Recognition, initial measurement and derecognition

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

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

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

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

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

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

4.16.2 Classification and subsequent measurement of financial assets

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

• financial assets at amortised cost
• financial assets at fair value through other comprehensive income (FVOCI)

The classification is determined by both:

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.2 Classification and subsequent measurement of financial assets (continued)

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

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

4.16.3 Subsequent measurement of financial assets

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

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

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

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

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- Receivables and other financial assets

Trade receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "Other receivables/other financial assets"

Financial assets at FVOCI
The Group's financial assets at FVOCI comprise of investments in equity shares: These represent investments in equity shares of various companies and include both quoted and unquoted.

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.3 Subsequent measurement of financial assets (continued)

Financial assets at FVOCI (continued)
A financial asset is held for trading if:

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

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

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

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

4.16.4 Impairment of financial assets
The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances and short term deposits
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses
The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.4 Impairment of financial assets (continued)

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 120 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade receivables and other assets as permitted under the standard. 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 debtors and the economic environment.

4.16.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include term loan, retention payable, Due to related parties and accounts payable and other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

- **Financial liabilities at amortised cost**

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

- **Term loans**

All term loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.5 Classification and subsequent measurement of financial liabilities (continued)

- Retention payable

Retention payables are recognised for amounts to be paid in the future, contractually agreed retentions and performance guarantees.

- Due to related parties

Due to related parties are financial liabilities arising in the normal courses of the business and are not quoted in an active market.

- Accounts payables and other financial liabilities

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

4.16.6 Amortised cost of financial instruments

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

4.16.7 Trade and settlement date accounting

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

4.16.8 Offsetting of financial instruments

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

4.16.9 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 36.

4.17 Advances received from customers

Advances received from customers represent money received from customers towards instalments for properties in accordance with the terms of the sale agreements as wells as for the membership at beach club. Advances received from customers are stated net of revenue recognised during the period under IFRS15.

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.18 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred for the purpose of giving immediate financial support to the Group with no future related costs are recognized in consolidated statement of profit or loss in the period in which they become receivable.

4.19 Equity, reserves and dividend payments

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

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' law and the Parent Company's Articles of Association.

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.
- Cumulative changes in fair value reserve – comprises of gains and losses relating to investment at fair value through other comprehensive income.
- Cash flow hedge reserve - comprises of gains and losses relating to derivative liability.

Accumulated losses includes all current and prior period retained profits. All transactions with owners of the Parent Company are recorded separately within equity.

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

4.20 Treasury shares

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

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

4.21 Provisions, contingent assets and contingent liabilities

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

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

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.21 Provisions, contingent assets and contingent liabilities (continued)

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

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

4.22 Foreign currency translation

4.22.1 Functional and presentation currency

The Group financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.22.2 Foreign currency transactions and balances

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

4.22.3 Foreign operations

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

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

4.23 Related party transactions

Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group’s management.

4.24 End of service indemnity

The Parent, its local subsidiaries and the UAE subsidiary 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.

Notes to the consolidated financial statements (continued)

4 Summary of Significant accounting policies (continued)

4.24 End of service indemnity (continued)

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

4.25 Taxation

4.25.1 National Labour Support Tax (NLST)

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

4.25.2 Kuwait Foundation for the Advancement of Sciences (KFAS)

The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution

4.25.3 Zakat

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

4.25.4 Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries are incorporated.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

1.26 Goodwill

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

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5 Significant management judgements and estimation uncertainty

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (Continued)

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.16). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Revenue recognition

Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 4.6 are met requires significant judgement.

5.1.3 Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group has assessed that based on the sale and purchase agreements entered into with customers and the provisions of relevant laws and regulations, where contracts are entered into to provide real estate assets to customer, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances, the Group recognises revenue over time. Where this is not the case, revenue is recognised at a point in time.

5.1.4 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since

initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

5.1.5 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.1.6 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (Continued)

5.1 Significant management judgments (continued)

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

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

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

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

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

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

5.2.1 Impairment of goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

5.2.2 Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

5.2.3 Impairment of right-of-use-of-assets
At the financial position date, the Group management determines whether there is any indication of impairment of right-of-use-of-assets. In estimating the recoverable amount of the right-of-use assets, management makes assumptions about the achievable market rates for similar properties with similar lease terms. This method uses estimated cash flow projections over the lease term of the assets. Due to the associated uncertainty, it is possible that the estimates of the amount of lease payment that will be recovered through the sub-lease of the property may need to be revised in the future years.

5.2.4 Percentage of completion
The Group recognises accrual for properties under development based on the percentage of completion method. The percentage of work completion is determined by the independent lead consultant of the respective projects.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (Continued)

5.2 Estimation uncertainty (continued)

5.2.4 Percentage of completion (continued)

The percentage of completion method is applied on a cumulative basis in each accounting year to the current estimates of accrual for properties under development. Any change in estimate for determination of accruals for properties under development is recognised in current consolidated statement of financial position.

5.2.5 Cost to completed the projects

The Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognised. These estimates include the cost of providing infrastructure, potential claims by contractors as evaluated by the project consultant and the cost of meeting other contractual obligations to the customers.

5.2.6 Estimation of impairment of property, plant and equipment and capital work-in progress and their useful lives

The Group's management tests annually whether property plant and equipment and capital work-in progress have suffered impairment in accordance with the accounting policies stated within note 4 above. The recoverable amounts of the assets are determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

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

5.2.7 Net realisable value of development properties

The Group carries its development properties at the lower of cost and net realisable value. In determining whether the impairment losses should be recognised in the consolidated statement of profit or loss, management assesses the current selling prices of the property units and the anticipated costs for completion of such property units for properties which remain unsold at the reporting date. If the selling proceeds are lower than the anticipated costs to complete, an impairment provision is recognised for the identified loss event or condition to reduce the cost of development properties recognised within properties under development in the consolidated statement of financial position to net realisable value.

5.2.8 Impairment of associates and joint venture

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

5.2.9 Impairment of financial assets

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

5.2.10 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (Continued)

5.2 Estimation uncertainty (continued)

5.2.10 Revaluation of investment properties (continued)

The Group engaged independent valuation specialists to determine fair values and the valuators have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5.2.11 Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

5.2.12 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

5.2.13 Fair value of financial instruments

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

5.2.14 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

6 Subsidiary companies and associates

6.1. Subsidiary companies

6.1.1. Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

Consolidated subsidiaries	Country of incorporation	Principal activity	Incorporation/ acquisition date	Percentage ownership %	
				2019	2018
IFA Hotels & Resorts – Jabel Ali Free Zone	UAE	Property development	2005	100%	100%
IFA Zimbali Hotels & Resorts (Pty) Ltd.	South Africa	Property development	2003	100%	100%
IFA Hotels & Resorts Limited	South Africa	Hotelier and property developer	2003	100%	100%
IFA Hotels & Resorts 2 Limited	Cayman Island	Hotelier	2003	100%	100%
IFA Fairmont Zimbali Hotels & Resorts (Pty) Ltd.	South Africa	Hotelier	2006	100%	100%
IFA HI Real Estate Services Company – WLL	Kuwait	Property management and real estate	2008	99%	99%
IFA Investment LLC	UAE	Property management and real estate	2019	99%	99%

Notes to the consolidated financial statements (continued)

6 Subsidiary companies and associates (continued)

6.1 Subsidiary compnies (continued)

6.1.2 Disposal of a subsidiary – Ocean Leisure Company Limited ("OLCL") (Sub-Subsidiary)

a) At the beginning of the year, the Group owned 100% of equity interest in Ocean Leisure Company Limited ("OLCL") (sub-subsidiary). During the year, the Group disposed of its entire stake of OLCL's equity interest to a third party for a net consideration of KD1,439,101. Accordingly, OLCL has been reported as discontinued operation for the year ended 31 December 2019.

Financial information relating to the discontinued operation of "OLCL" for the period to the date of disposal is set out below:

	Year ended	
	31 Dec. 2019 KD	31 Dec. 2018 KD
Revenue	-	514
Other income	-	300,456
Staff costs	-	(36,745)
Other operating expenses and charges	(62,684)	(38,473)
Depreciation	-	(81,702)
Finance costs	(42,224)	(29,386)
Tax income relating to overseas subsidiaries	-	657,121
	(104,908)	771,785
Loss for the period from discontinued operation	(104,908)	771,785
Loss from disposal of OLCL (note 6.1. b)	(731,132)	-
	(836,040)	771,785

b) At the date of disposal, the fair values of the consideration and the carrying amounts of net assets disposed were as follows:

Net cash consideration	1,439,101
Less: Total carrying value of the net assets disposed of (note 6.1.c)	(3,040,583)
Transfer of foreign currency translation reserve from other comprehensive income to profit or loss on disposal:	
- Group's share of subsidiary's foreign currency translation reserve	2,351,015
- Foreign currency translation reserve arising in consolidation	(1,480,665)
Loss on disposal of OLCL	(731,132)

c) Net assets of disposed OLCL as at the date of disposal were as follows:

Assets	
Cash and cash equivalents	1,802
Deferred tax asset	961,062
Trade and other receivables	26,506
Property and equipment	2,051,213
Net assets as at the date of disposal attributable to the Group	3,040,583

Notes to the consolidated financial statements (continued)

6 Subsidiary companies and associates (continued)

6.1 Subsidiary companies (continued)

6.1.3 Gain on disposal of a SPVs

During the year, the Parent Company has disposed two of its sub-subsidiaries (two SPVs of Portugal 25 Companies) to a third party for a total consideration of Euro 1.5 Mn (equivalent to KD517,497) resulting in a net disposal gain of KD264,707. Further, Parent Company disposed of another two sub-subsidiaries (two SPVs of Portugal 25 Companies) to a related party for a nominal consideration resulting in a net disposal gain of KD13,844.

The details of the assets and liabilities of the disposed SPVs' are as follows.

Investment properties	742,810
Other assets	208,999
Total liabilities	(699,019)
Net assets disposed	252,790
Total consideration received	517,497
Net gain on disposal of SPVs	264,707

6.1.4 Gain on disposal of Vacation Club Venture Co. Ltd

At the beginning of 2018, the Group had a controlling interest constituting 59% of the shares in Vacation Club Venture Co. Ltd "VCV" (sub-subsidiary). During April 2018, the Group disposed of the controlling interest in VCV, constituting 23.77% of VCV's total shares, to a related party for a consideration of KD3,579,335 (equivalent to AED43,681,120). The consideration due was set off against the amount due to the related party. The Group accounted for its retained 35.23% interest in VCV as an investment in associate, by virtue of a significant influence. The retained interest was remeasured at fair value, immediately following the disposal of the controlling interest.

Fair value of consideration received	3,579,335
Less: Net assets disposed at the date of disposal (23.77%)	(3,190,656)
Profit on disposal of the subsidiary to a related party (note 35)	388,679
Fair value of the retained interest recognised as an associate	5,305,004
Net assets related to the retained interest recognised as an associate (35.23%)	(4,728,937)
Net gain on disposal of VCV	964,746

The net assets of Vacation Club Venture Co. Ltd at the date of disposal were as follows:

Property and equipment	137,779
Trade and other receivables	10,632,936
Cash and cash equivalents	3,348,949
Trade and other payables	(38,619)
Amount due to a related party	(428,051)
Non-controlling interest at the time of disposal	(5,733,401)
Net asset at the time of disposal attributable to the Group	7,919,593

Notes to the consolidated financial statements (continued)

6 Subsidiary companies and associates (continued)

6.2 Investment in associates

Details of the Group's associates at the end of the reporting period are as follows:

Name and particulars of the Company	Interest in equity		31 Dec. 2019	31 Dec. 2018
	2019	2018	KD	KD
Legend and IFA Developments (Pty) Ltd.(Registered in South Africa and its principal activity is property development and safari resorts accommodation and related service) ("Legend and IFA")	50%	50%	4,851,623	4,494,606
Vacation Club Venture (note 6.1.4)	35.23%	35.23%	5,792,349	5,833,861
			10,643,972	10,328,467

The movement in associates during the year is as follows:

	31 Dec. 2019	31 Dec. 2018
	KD	KD
Balance at 1 January	10,328,467	4,995,394
Additions	-	561,748
Addition due to retained interest of the subsidiary disposed (note 6.1.4)	-	5,305,004
Increase in shareholders loan	357,767	193,019
Share of results	(39,673)	(53,094)
Impairment in value	(26,746)	-
Exchange differences arising on translation of foreign operations	24,157	(673,604)
Balance at 31 December	10,643,972	10,328,467

6.2.1 The above is made-up as follows:

	31 Dec. 2019	31 Dec. 2018
	KD	KD
Equity investments		
– Legend and IFA	15	15
– VCV	5,792,349	5,833,861
	5,792,364	5,833,876
Shareholders loans – Legend and IFA	6,841,031	6,446,797
Less: provision for impairment in value of shareholders loan	(1,989,423)	(1,952,206)
	10,643,972	10,328,467

6 Subsidiary companies and associates (continued)

6.2 Investment in associates (continued)

6.2.2 Summarised financial information in respect of the Group's associates, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

6.2.2.1 Legend and IFA Developments (Pty) Ltd.

	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current assets	10,913,273	2,779,434
Current assets	190,186	91,008
Non-current liabilities	(15,372,631)	(616,041)
Current liabilities	(979,890)	(2,897,829)
Equity	(5,249,062)	(643,428)

	31 Dec. 2019 KD	31 Dec. 2018 KD
Revenue	(148,511)	445,341
Profit / (Loss) for the year	742,554	(120,242)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	742,554	(120,242)

A reconciliation of the above summarised financial information to the carrying amount of the investment is set out below:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Net assets of the associate attributable to the shareholders of the Group	(5,249,062)	(643,428)
Proportion of the Group's ownership interest in the associate	50%	50%
Proportionate ownership in the net assets of the associate	(2,624,531)	(321,714)
Other adjustments (foreign exchange translation and other adjustments)	2,624,546	321,729
Shareholder loan	4,851,608	4,494,591
Carrying value of the investment	4,851,623	4,494,606

Investment in Legend and IFA Developments (Pty) Ltd., includes shareholder loans of KD4,851,608 which is non-interest bearing and carried at present value (2018: KD4,494,591). The loans are unsecured and are not repayable before 31 December 2019.

The accumulated unrecognised losses of Legend and IFA Development (Pty) Ltd amounted to KD943,305 (2018: KD907,066).

Legend IFA Developments (Pty) is an unquoted investment.

Notes to the consolidated financial statements (continued)

6 Subsidiary companies and associates (continued)

6.2 Investment in associates (continued)

6.2.2.2 Vacation Club Venture.

	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current assets	202,200	168,828
Current assets	14,542,523	14,724,334
Current liabilities	(563,390)	(588,073)
Equity	14,181,333	14,305,089

	31 Dec. 2019 KD	31 Dec. 2018 KD
Loss for the year	(112,612)	(159,949)
Total comprehensive loss for the year	(112,612)	(159,949)

A reconciliation of the above summarised financial information to the carrying amount of the investment is set out below:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Net assets of the associate attributable to the shareholders of the Group	14,181,333	14,305,089
Proportion of the Group's ownership interest in the associate	35.23%	35.23%
Proportionate ownership in the net assets of the associate	4,996,084	5,039,683
Other adjustments (foreign exchange translation and other adjustments)	216,146	213,868
Goodwill	580,119	580,310
Carrying value of the investment	5,792,349	5,833,861

7 Revenue

	31 Dec. 2019 KD	31 Dec. 2018 KD
Revenue from projects under development	49,551,417	29,797,974
Revenue from hotel operations	22,052,583	23,428,363
Revenue from beach club operations	-	40,166
Management fees	885,402	224,802
Residential services income	2,694,243	3,046,631
Rental income	370,490	518,061
	75,554,135	57,055,997

Notes to the consolidated financial statements (continued)

8 Interest income

	31 Dec. 2019 KD	31 Dec. 2018 KD
Interest income on bank balances and deposits	37,314	18,406
Interest income on late payment by customers	-	25,780
Interest income on others	123,512	182,130
	160,826	226,316

9 Other income

	31 Dec. 2019 KD	31 Dec. 2018 KD
Loss from foreign currency exchange difference	51,284	(1,056)
Reversal of borrowing – note 26	2,336,941	-
Other income	640,585	304,989
	3,028,810	303,933

10 Impairment in value of assets and other operating expenses and charges

a) Impairment in value of assets

	31 Dec. 2019 KD	31 Dec. 2018 KD
Impairment in value of property, plant, and equipment – note 14	420,956	684,789
Impairment in value of associates – note 6.2	26,746	-
Impairment in value of properties under development – note 20	89,469	-
Impairment in value of Trading properties – note 21	1,629,457	-
Impairment in value of capital working in progress note - 15	1,809,460	-
	3,976,088	684,789

b) Other operating expenses and charges include the following:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Hotel's property operation, maintenance and office expenses	5,567,205	5,153,048
Legal and professional fees and legal settlement costs	2,869,124	4,574,720
Commissions paid	509,885	1,049,869
Administration and management fee	3,778,490	725,390
Hotel operations management fee	621,887	689,071
Rent	363,245	377,563
Settlement of claims by Homeowners Association in UAE	1,319,447	339,788
Dubai Land Department fee	1,881,767	-
Advertising	-	121,704
Travel expenses	38,191	91,766
Utilities	464,745	463,213

Notes to the consolidated financial statements (continued)

11 Net gain or (loss) on financial assets and finance costs

a. Net gain or (loss) on financial assets

Net (loss) or gain on financial assets, analysed by category, is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial assets at amortised cost		
– Cash and cash equivalents	37,314	18,407
– Accounts receivable and other assets and shareholder loans to associates	123,512	207,910
Investments at FVOCI		
– Recognised directly in consolidated statement of other comprehensive income	(421,081)	(203,180)
	(260,255)	23,137
Net gain recognised in the consolidated statement of profit or loss	160,826	226,317
Net loss recognised in the consolidated statement of profit or loss and other comprehensive income	(421,081)	(203,180)
	(260,255)	23,137

b. Finance costs

Finance costs relate mainly to the following:

	Year ended 31 Dec 2019 KD	Year ended 31 Dec 2018 KD
Term loan	8,163,353	9,075,771
Related party *	319,927	328,130
Loss on hedging	244,629	-
Interest on lease liabilities	797,994	-
	9,525,903	9,403,901

* Financial liabilities stated at amortised cost (see note 35)

12 Tax credit relating to overseas subsidiaries

	31 Dec. 2019 KD	31 Dec. 2018 KD
Current tax:		
Current year charge	(636)	(20,758)
Deferred tax credit:		
Current year credit / (charge)	36,773	179,827
	36,137	159,069

13 Basic and diluted loss per share attributable to the owners of the Parent Company

Basic and diluted loss per share are computed by dividing the loss for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	31 Dec. 2019	31 Dec. 2018
Loss for the year attributable to the owners of the Parent Company (KD)	(22,524,025)	(19,251,197)
Weighted average number of shares outstanding during the year (excluding treasury shares)	608,214,940	608,257,222
Basic and diluted loss per share	(37.03) Fils	(31.65) Fils

Notes to the consolidated financial statements (continued)

14 Property, plant and equipment

	Land KD	Buildings on freehold land KD	Buildings on leasehold land KD	Plant and equipment KD	Furniture, fixtures and office equipment KD	Kitchen equipment & accessories KD	Motor vehicles KD	Total KD
Year ended 31 December 2019								
Opening net book amount	7,439,976	89,561,500	2,203,121	221,932	3,026,510	253,989	20,324	102,727,352
Transfer from properties under development (note 20)	-	510,896	-	-	1,469	-	-	512,365
Additions	-	3,609	-	6,971	332,867	118,281	4,624	466,352
Disposals	-	-	-	(1,838)	(3,311)	-	(416)	(5,565)
Foreign exchange adjustment	3,883	12,799	3,906	327	6,250	182	118	27,465
Impairment (note 10.a)	-	(282,427)	(138,280)	-	-	-	(249)	(420,956)
De-recognition on disposal of subsidiary (note 6.1.2.c)	-		(2,068,747)	-	-	-	-	(2,068,747)
Depreciation for the year	-	(2,179,919)	-	(8,083)	(1,424,535)	(265,172)	(4,341)	(3,882,050)
Closing net book value	**7,443,859**	**87,626,458**	**-**	**219,309**	**1,939,250**	**107,280**	**20,060**	**97,356,216**
At 31 December 2019								
Cost	7,443,859	104,063,114	-	314,097	9,821,435	5,234,094	98,190	126,974,789
Accumulated depreciation and impairment	-	(16,436,656)	-	(94,788)	(7,882,185)	(5,126,814)	(78,130)	(29,618,573)
Net book value	**7,443,859**	**87,626,458**	**-**	**219,309**	**1,939,250**	**107,280**	**20,060**	**97,356,216**
Year ended 31 December 2018								
Opening net book amount	7,581,536	90,128,684	2,698,046	226,754	3,610,472	556,271	23,739	104,825,502
Transfer from properties under development	-	3,300,320	-	11,214	994,915	400,048	13,685	4,720,182
Additions	-	(377,701)	(427,120)	-	-	(138,314)	(3,629)	(946,764)
Disposals	(141,560)	(578,367)	13,897	(10,030)	(185,336)	2,726	(3,513)	(902,183)
Foreign exchange adjustment	-	(684,789)	-	-	-	-	-	(684,789)
Reversal of impairment provision	-	-	-	-	(131,862)	(187,355)	-	(319,217)
Depreciation for the year	-	(2,226,647)	(81,702)	(6,006)	(1,261,679)	(379,387)	(9,958)	(3,965,379)
Closing net book value	7,439,976	89,561,500	2,203,121	221,932	3,026,510	253,989	20,324	102,727,352
At 31 December 2018								
Cost	7,439,976	103,527,432	2,906,408	410,003	9,471,817	5,182,566	96,026	129,034,228
Accumulated depreciation and impairment	-	(13,965,932)	(703,287)	(188,071)	(6,445,307)	(4,928,577)	(75,702)	(26,306,876)
Net book value	7,439,976	89,561,500	2,203,121	221,932	3,026,510	253,989	20,324	102,727,352

Notes to the consolidated financial statements (continued)

14 Property, plant and equipment (continued)

14.1 Land and building with a carrying value of KD8,736,276 (2018: KD8,472,444) located in South Africa have been pledged as security for the term loan facilities obtained by South African subsidiaries and building with a carrying value of KD87,216,035 (2018: KD79,355,352) located in UAE, has been pledged as security for the term loan facility obtained by a UAE subsidiary (see note 26).

14.2 As per the management assessment, there has been an impairment of KD 282,427 (equivalent to AED 3,415,401) in carrying value of property and equipment of Trunk Residence FZE (a sub-subsidiary) as at 31 December 2019.

15 Capital work in progress

Capital work in progress represents mainly hotels and other capital projects under construction in UAE.

The movement in capital work in progress is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Carrying value at the beginning of the year	46,876,804	46,590,672
Additions during the year	16,051	15,569
Impairment	(1,809,460)	-
Foreign currency translation adjustment	(11,681)	270,563
Carrying value at the end of the year	45,071,714	46,876,804

The above balance consists of the following:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Land cost		
- Crescent, Palm Jumeirah (Kingdom of Sheba Hotel)	44,734,886	46,555,888
	44,734,886	46,555,888
Other construction related costs	336,828	320,916
	45,071,714	46,876,804

In the opinion of the management, there has been impairment in the carrying values of the Capital work in progress as at 31 December 2019 KD1,809,460 (2018: KD Nil).

Notes to the consolidated financial statements (continued)

16 Right of use assets

	KD
Cost	
At 1 January 2019	4,300,726
Additions	4,671
Foreign currency translation adjustment	(2,426)
At 31 December 2019	4,302,971
Accumulated depreciation	
At 1 January 2019	-
Charge for the year	1,557,206
At 31 December 2019	1,557,206
Net book value	
At 31 December 2019	2,745,765

The right of use assets mainly represent leased buildings and they are depreciated over the remaining lease period.

17 Investment properties

The Group's investment properties consist of the following:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Portugal – Pinecliff Resorts (refer 26c)	1,014,611	2,952,589
	1,014,611	2,952,589

17.1 The movement in investment properties is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Carrying value at the beginning of the year	2,952,589	4,620,341
Disposals	(1,136,643)	(1,537,998)
De-recognition on disposal of subsidiary	(731,184)	-
Change in fair value	(1,696)	28,449
Foreign currency translation adjustment	(68,455)	(158,203)
Carrying value at the end of the year	1,014,611	2,952,589

During the year, the Group disposed of investment properties in Portugal with a carrying value of KD1,136,643 (2018: KD1,537,998) for a consideration of KD1,218,074 (2018:KD1,609,120), which resulted in a gain of KD81,431 (2018:KD71,122).

Independent valuers were engaged to determine the fair market value of the land and they held relevant professional qualification and experience.

Notes to the consolidated financial statements (continued)

18 Investments at fair value through other comprehensive income

	31 Dec. 2019 KD	31 Dec. 2018 KD
Foreign investments – unquoted shares	991,247	2,357,556
Local investments – unquoted shares	30,527	34,469
	1,021,774	2,392,025

19 Accounts receivable and other assets

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial assets:		
Accounts receivable (net)*	24,349,457	27,173,994
Due from other related parties (note 35)	30,232,687	1,819,016
Value Added Tax receivables	611,410	830,149
Net investments in lease	314,717	-
Other financial assets	3,840,358	4,406,626
	59,348,629	34,229,785
Non-financial assets:		
Advance to contractors	83,686	133,779
Deferred Tax assets	685,546	1,593,903
Other non-financial assets	2,787,404	3,969,368
	3,556,636	5,697,050
	62,905,265	39,926,835

* This includes project-related receivables amounting to KD 17 million (2018: KD 20 million) which will be received as per the payment terms agreed with customers.

All amounts are short-term and are considered a reasonable approximation of their fair value.

All of the Group's trade and other receivables have been reviewed for indicators of impairment.

20 Properties under development

	31 Dec. 2019 KD	31 Dec. 2018 KD
The Group's properties under development consists of the following:		
Land cost:		
- UAE (Balqis Residence, C Fourteen and KOS heritage place)	6,542,882	25,360,254
- South Africa (Zimbali Prescient Real Estate)	196,739	195,709
	6,739,621	25,555,963
Construction, piling and enabling works	7,804,870	40,124,099
Other construction related costs	2,753,506	10,846,876
	17,297,997	76,526,938

Notes to the consolidated financial statements (continued)

20 Properties under development (continued)

The movement in properties under development is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Carrying value at the beginning of the year	76,526,938	81,004,940
Additions during the year	15,828,894	15,686,968
Transferred to trading properties	(30,206,751)	-
Transferred to property, plant and equipment (note 14)	(512,365)	-
Impairment	(89,469)	-
Cost absorbed during the year (a)	(44,369,301)	(19,797,463)
Foreign exchange adjustments	120,051	(367,507)
	17,297,997	76,526,938

a) Properties under development relate to the revenue project which are offered for sale. Cost of projects expected to be completed, or to be transferred to profit or loss within the next 12 months has been classified as current assets.

During the year, cost of properties under development amounting to KD44,110,087 (2018: KD19,040,580) were transferred to "Cost of revenue" and KDNil (2018: KD756,883) was transferred to "sales and marketing expenses".

In the opinion of the management, there has been impairment in the carrying values of the property under development as at 31 December 2019 KD89,469 (2018: Nil).

b) Properties under development in UAE and South Africa with a carrying value of KD11,130,993 and KD 4,086,517 respectively (2018: KD69,841,941 and KD4,657,432) have been pledged as security for term loan facilities obtained by subsidiaries in UAE and South Africa (see note 26).

21 Trading properties

	31 Dec. 2019 KD	31 Dec. 2018 KD
Residential flats in Dubai, UAE (a)	28,517,299	-
Properties in South Africa (b)	5,922,224	5,427,736
	34,439,523	5,427,736

a) It represents the unsold property units of Balqis Residence FZE and C Fourteen FZE, net of impairment of KD1,629,457 assessed by management (note 10).

b) Trading properties in South Africa represent plots of lands purchased in South Africa for trading purposes and comprise land at cost and development expenditure attributable to unsold properties. Trading properties with a carrying value of KD5,922,224 (2018: KD5,427,736) in South Africa have been pledged as security for borrowing facilities of the South African Subsidiary (see note 26 b).

Notes to the consolidated financial statements (continued)

22 Cash and cash equivalents

	31 Dec. 2019 KD	31 Dec. 2018 KD
Cash and bank balances*	5,811,046	56,448,479
Less: blocked deposits	(19,894)	-
Cash and cash equivalents for cash flow purposes	5,791,152	56,448,479

* During the year, the Group has repaid a loan of KD70,860,807 by utilizing the above bank balances (refer note 26d)

Cash and bank balances include escrow account balances maintained by UAE subsidiary amounting to KD715,911 (2018: KD1,377,209) which are subject to Law No 8 of 2007 concerning guarantee accounts of real estate developments in the Emirates of Dubai.

23 Share capital and Share Premium

	31 Dec 2019		31 December 2018	
	Authorised	Paid-up	Authorised	Paid-up
Shares of KD0.100 each	635,434,200	635,434,200	635,434,200	635,434,200

Share premium is not available for distribution.

24 Treasury shares

	31 Dec. 2019	31 Dec. 2018
Number of shares	27,218,260	27,218,260
Percentage of issued shares	4.28%	4.28%
Market value (KD)	1,401,792	2,422,425
Cost (KD)	12,550,973	12,550,973

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

25 Statutory reserve and voluntary reserves

25.1 Statutory reserve

As required by the Companies Law and the Parent Company's articles of association, 10% of the profit for the year before KFAS, NLST, Zakat provision and board of directors' remuneration but after taxation on overseas subsidiaries and non-controlling interests is transferred to the statutory reserve until the balance reaches 50% of the Parent Company's issued and paid-up capital. Any transfer to the statutory reserve thereafter is subject to approval from the general assembly. No transfer is required in a year when losses are made. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

25.2 Voluntary reserve

In accordance with Parent Company's articles of association, certain percentage of the Parent Company's profit before KFAS, NLST, Zakat provision and board of directors' remuneration but after taxation on overseas subsidiaries and non-controlling interests are transferred to the voluntary reserve at the direction of the board of director which is to be approved at the general assembly. No transfer is required in a year when losses are made. There are no restrictions on distribution of voluntary reserve.

26 Term loans

	Effective interest rates 31 Dec. 2019	Effective interest rates 31 Dec. 2018	31 Dec. 2019 KD	31 Dec. 2018 KD
Term loan – UAE	2%-9.25%	6.3%-11.4%	101,675,300	158,736,371
Term loan – South Africa	2.25%-10%	2.25%-9.5%	8,922,839	9,214,642
Term loan – Portugal	6.5%	6.5%	279,921	975,885
			110,878,060	168,926,898
Less: Amount due within one year			(21,322,266)	(102,867,734)
Amount due after more than one year			89,555,794	66,059,164

26.1 The group's term loans consist of the following banks:

	31 Dec. 2019	31 Dec. 2018
- Standard Chartered Bank Limited ("S.C.B") - note d	17,086,949	65,725,152
- Invest Bank PSC - note e	17,298,205	25,911,320
- C View Fourteen Limited - note f	-	6,278,283
- Dubai Islamic Bank - note g	67,290,145	60,821,616
- Nedbank Limited - Conventional loan	4,696,377	4,872,885
- Tongaat Hulett Developments (Proprietary) Limited	1,889,032	1,696,805
- Nedbank Limited	847,121	1,003,276
- Investec private bank – note h	1,069,726	1,038,325
- Others	700,505	1,579,236
	110,878,060	168,926,898

a. Term loans represent loans obtained by the subsidiaries in Dubai, South Africa and Portugal to finance the projects in Dubai and purchase of properties/finance projects in South Africa and Portugal.

b. The loans obtained by the South African subsidiaries are secured by:
- The mortgage of property, plant and equipment with a carrying value of KD8,736,276 (2018: KD8,472,444).
- The mortgage of properties under development with a carrying value of KD4,086,517 (2018: KD4,657,432).
- The mortgage of trading properties with a carrying value of KD5,922,224 (2018: KD5,427,736).

c. The loan obtained by the Portugal subsidiaries is secured by investments properties with a carrying value of KD 1,014,611 (2018: KD2,952,589).

d. On 15 September 2013, Trunk Propco FZE and IFA HI Trunk FZE, sub-subsidiaries of the UAE subsidiary, secured a credit facility agreement with a foreign bank amounting to USD175,000,000 (equivalent to KD53,033,750) (the 'Revised SCB Facility') which was utilised to settle existing facility of USD115,000,000 (the "SCB Facility"). The Revised SCB Facility carries interest at LIBOR plus margin. Hotel property is pledged against the Revised SCB Facility. Scheduled repayments started from June 30, 2015 with completion on June 30, 2018, however, during the year ended 31 December 2017, the sub-subsidiary has revised repayment schedule and as per revised facility agreement, the revised maturity date is March 31, 2020, the management is currently in the process of renewing the facilities. IFA Hotels and Resorts 1 (Cayman Islands) is also the guarantor of the Revised SCB Facility. This facility is repaid subsequent to year-end out of the new borrowing amounting to AED600,000,000 (equivalent to KD49,511,220) obtained from Dubai Islamic Bank (note g).

Notes to the consolidated financial statements (continued)

26 Term loans (continued)

On 29 June 2015, the UAE subsidiary entered into an additional facility with SCB (the "Additional SCB Facility") amounting to AED210 Million (equivalent to KD17,328,927) for the purpose of settlement of amounts payable to the main contractor in connection with the development costs of Balqis Residence project of the Group. The Additional SCB Facility was drawn on 5 July 2015, carries interest at the rate of LIBOR plus margin, with repayment on 5 January 2016. Thereafter the Group opted to exercise the 'Extension Options' per the facility agreement with revised maturity date of 31 March 2020, the management is currently in the process of renewing facilities. Balqis Residence FZE and Kingdom of Sheba Hotel FZE, subsidiary and sub-subsidiary of the Group respectively, are guarantors of the Additional SCB Facility.

e. On 28 December 2015, the UAE subsidiary obtained a business term loan of AED95,000,000 (equivalent to KD7,839,277) (the 'Third IB Loan') from Invest Bank PSC, carrying fixed interest payable on a quarterly basis. Post Dated Cheques (PDCs), drawn on another bank, have been provided for servicing of interest. The loan is to be repaid in one bullet payment on 31 December 2018, although early repayment is allowed subject to a penalty of 2% per annum on the prepaid amount. The Third IB Loan is secured by way of assigning the unsold units of 'The 8' project being undertaken by C Fourteen FZE and sold to a related party (see note 35), a sub-subsidiary of the UAE subsidiary, along with the assignment of insurances of the said project, in favour of Invest Bank PSC. Further, corporate guarantee covering 110% of total facilities and an irrevocable undertaking is also given to settle any shortfall in repayment from own sources of income, by the UAE Subsidiary.
On June 1, 2017, an additional facility of AED 250,000,000 (equivalent to KD20,629,675) was secured (the 'Fourth IB Loan'), from Invest Bank PSC (the "Bank"), carrying a fixed margin plus the Bank's prime rate, payable on a quarterly basis. This facility was obtained to settle a loan of AED 54,000,000 (equivalent to KD 4,456,010) from Invest Bank PSC, acquired on July 18, 2013 (the 'First IB Loan'), and partial repayment of 'C View Fourteen Limited' loan by paying AED 88 million. The remainder of the Fourth IB Loan will be utilised in funding the projects being undertaken by the Group. The Fourth IB Loan is secured by way of assigning first degree mortgage over 152 unsold units in a project being undertaken by a sub-subsidiary. The Fourth IB Loan will be repaid in 8 equal quarterly instalments beginning after 1 year from draw down with final settlement on March 28, 2020, the loan have been extended to 31 March 2023. Further, corporate guarantee covering 110% of total facilities and an irrevocable undertaking has also given to settle any shortfall in repayment from own sources of income, by the Subsidiary.

f. During the year ended 31 December 2013, the UAE subsidiary entered into investment arrangements with C View Fourteen Limited (the "Investor"). In relation to these investment arrangements, AED110,000,000 (equivalent to KD9,077,057) was received in advance from the Investor and the Company transferred 84,615 shares (the 32.5% holding) of C Fourteen (BVI) Limited (100% owned subsidiary of the UAE Subsidiary) in the name of the Investor as a security against the deposit money.
During the year ended 31 December 2014, upon finalisation of these investment arrangements, AED110,000,000 (equivalent to KD9,077,057) has been transferred to term loans. These investment arrangements are for a period of 60 months from January 1, 2014, and carry fixed interest at 8 percent per annum payable quarterly in arrears (the Coupon) which would be revised in case of a default, this loan has been settled during the year.

In addition to the 32.5% holding in C Fourteen (BVI) Limited, total saleable area of at least 84,832.65 square feet (the Units) in the project being undertaken by C Fourteen FZE will also be kept in the name of the Investor without any further consideration. The Investor has a Put Option (exercisable between the 42nd to 60th months) and the UAE Subsidiary has a Call Option (exercisable at any time during the 60 months) to early settle the investment arrangements. No further deposit has been or will be received against the transfer of the Units in the Investor's name.

Notes to the consolidated financial statements (continued)

26 Term loans (continued)

When the Put Option or the Call Option is exercised, the Investor has to transfer the 32.5% holding in C Fourteen (BVI) Limited as well as the Units, back to the UAE subsidiary and the UAE subsidiary is liable to pay the Investor a settlement amount as stipulated in the investment arrangements agreement. The carrying value of the financing facility is not materially different from the present value of the settlement amount.

If the Put Option or the Call Option is not exercised up to 60 months from 1 January 2014, the UAE subsidiary shall transfer full title and ownership of the Units to the Investor and the Investor shall transfer the 32.5% holding in C Fourteen (BVI) Limited back to the UAE subsidiary and said transfers will be deemed as the settlement of the investment arrangements.

Though the legal title of the 32.5% shares in C Fourteen (BVI) Limited has been transferred in the name of the Investor, in substance the UAE subsidiary keeps all the risks and rewards attached to these shares including the right of dividend. Further, these shares cannot be sold freely by the Investor in the market because the UAE subsidiary has a Call Option to restrict this right. Therefore, no minority interest related to these shares has been calculated and recorded and this transfer of shares in the name of the Investor has been merely treated as a security against this financing arrangement.

On June 12, 2017, the Company exercised a ‘Call Option’ for the early redemption of 17.5% shares of C Fourteen (BVI) Limited, at a redemption price of AED 88 million. The premium paid on redemption has been recognised within ‘finance costs’.

1. On December 19, 2018 the Company entered into an extension agreement with the Investor whereby the tenor is extended until June 30, 2019. During the year, the Company settled the outstanding loan
2. against the transfer of 25 units, The difference between exercised price and carrying amount has been recognised in other income amounting to KD 2,336,941 (note 9).

g. On April 1, 2018 Balqis Residence FZE, a sub-subsidiary has entered into a short-term financing facility with Dubai Islamic Bank PSJC (hereinafter referred as “the Bank”) for AED 140,000,000 (equivalent to KD11,552,618). The facility is secured against personal guarantee of Mr. Nash’at Farhan Awad Sahawneh and corporate guarantee of AED 140,000,000 (equivalent to KD11,552,618) from M/s Al Hamd Building Contracting Company LLC, Sharjah, M/s IFA Hotel & Resorts FZE, Dubai and M/s IFA Hotel & Resorts KPSC, Kuwait. Further, a first degree mortgage has also been created over residential units of Balqis Residence covering 200% of the outstanding principal value at any point of time in favour of the Bank and assignment of insurance policy in favour of the Bank against the properties mortgaged.

The purpose of the facility is to repay the loan of M/s Al Reem Finance PSJC and balancing amount to be utilized to finance the completion of the Balqis Residence project. The facility is repayable in 4 quarterly instalments with the first instalment commencing after 6 months from disbursement date, this loan has been settled during the year. The profit repatriable shall be charged at relevant EIBOR plus margin with minimum fixed rate which will be serviced on quarterly basis.

On 31 December 2018 Trunk Propco FZE entered into an Ijara agreement with Dubai Islamic Bank PJSC (hereinafter referred as “the Bank”) for AED 600,000,000 (equivalent to KD49,511,220) repayable at the base rate over 3 months EIBOR, subject to minimum fixed rate. The purpose of the Ijara facility is to repay the existing loan of USD 175,000,000 (equivalent to KD53,033,750) to the Standard Chartered Bank. The repayment shall be made in 56 quarterly instalments which shall end on 31 December 2032.

Notes to the consolidated financial statements (continued)

26 Term loans (continued)

The facility is secured against corporate guarantee of M/s IFA Hotel & Resorts KSCP, Kuwait, M/s IFA Hotel & Resorts FZE and M/s IFA Hotel & Resorts 1, Cayman Island. Further a share charge has also been created against shares of M/s IFA Hotel & Resorts 1 and share pledge has also been created against shares of M/s IFA HI Trunk FZE and M/s Trunk Propco FZE. A moveable mortgage has also been created in favour of the Bank against, amongst other assets, the bank accounts and other receivables deriving from “Fairmont the Palm” (hereinafter referred as “the Property”). A property mortgage has also been created in favour of the bank against the Property and assignment of insurance policy in favour of the Bank against the mortgaged Property.

h. The loan facility is covered by syretyship by the parent Company limited to KD1,291,248, syretyship by IFA Fair-Zim hotel and resort propiertorship limited to KD1,291,248, guarantee by the parent limited to KD867,888, guarantee by IFA Zimbali Hotels & Resorts proprietary limited to KD867,888, guarantee by zimbali land developments proprietary limited to KD867,888.

27 Retention payable

	31 Dec. 2019 KD	31 Dec. 2018 KD
Retention payable	4,642,002	8,137,348
Less: Amount due within one year	(3,127,359)	(3,031,172)
Amount due after more than one year	1,514,643	5,106,176

Retention payable comprise of the contractually agreed retentions and performance guarantees payable to the main contractor for the project being undertaken by Balqis Residence FZE, and C Fourteen FZE.

28 Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31 Dec. 2019 KD	31 Dec.2018 KD
At January 1, upon adoption of IFRS 16	4,967,437	-
Additions during the yeat	797,994	-
Payments made during the year	(3,407,948)	-
Foreign exchange adjustment	(4,994)	-
	2,352,489	-

	31 Dec. 2019 KD	31 Dec. 2018 KD
Current	1,539,540	-
Non-current	812,949	-
	2,352,489	-

The Group has leases for mainly building.

29 Derivative financial instrument

	31 Dec. 2019 KD	31 Dec. 2018 KD
Current	271,632	-
Non-current	1,010,164	-
	1,281,796	-

During the year, the Group entered into an interest rate swap with Dubai Islamic Bank (DIB) to manage the volatility of interest rate on an existing borrowing amounting to KD49.5 million which was obtained by Trunk Propco FZE subsidiary company from DIB in 2018 (Note 26). Under the swap arrangement, the Group is committed to pay fixed interest on circa 50% of the outstanding loan from DIB, subject to the Floating Rate (i.e. 3 months LIBOR) remaining below the Knock-Out Rate as per the agreement. The maturity date of interest rate swap is 31 December 2023 whereas borrowing is repayable in quarterly instalments until 31 December 2032. The fair value of the interest rate swaps at 31 December 2019 and in-effective impact of change in fair value during the year is USD4,229,079 (KD1,282,310) which is recorded in the consolidated other comprehensive income. While the effective impact of change in fair value from the year is USD720,989 (KD244,629) which is recorded in the consolidated statement of profit or loss for the year. The fair value of the interest rate swaps has been determined using Level 3 of the fair value hierarchy. The fair value of interest rate swaps is based on estimated future cash flows which are discounted using market interest rate with similar terms and maturity of the agreement as at the measurement date, which will be on 31 December 2023.

30 Accounts payable and other liabilities

	31 Dec. 2019 KD	31 Dec. 2018 KD
Accounts payable	19,779,783	21,484,653
Accrued construction costs	10,281,956	1,780,141
Other accruals	4,356,294	6,494,658
Deferred tax	676,113	672,040
Deferred income	2,317,712	2,592,873
Dividend payable	509,163	509,163
KFAS, NLST and Zakat payables	3,849,224	3,849,224
Refundable deposits due to customers in relation to forfeited sale contracts	2,654,869	1,359,704
Land transfer fee payable	1,759,023	201,885
Other payables (a)	13,865,375	15,960,540
	60,049,512	54,904,881

a) Other payables include post-dated cheques amounting to KD3,990,806 (2018: KD7,880,816) issued against settlement of legal cases filed by unit holders in Balqis Residence FZE (a UAE sub-subsidiary). Out of these, post-dated cheques, cheques amounting to KD2,718,948 (2018: KD5,328,149) have been issued in respect of refunds of deposits received from customers, and their maturities are as per court order

Notes to the consolidated financial statements (continued)

31 Advances received from customers

These are advances received from customers against sale of residential properties under development in various projects mainly by subsidiary companies in UAE. Advances that are related to the projects that are expected to be transferred to revenue within next twelve months have been classified as current liabilities.

	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance at the beginning of the year	7,999,166	997,858
Advances received during the year*	13,648,391	15,164,902
Revenue recognised during the year**	(11,373,032)	(1,814,553)
Deposits transferred to other payables	(662,625)	-
Deposit refunded upon cancellation	(2,053,603)	(6,271,080)
Foreign exchange adjustment	6,574	(77,961)
Balance at end of the year	7,564,871	7,999,166

* These include deposits amounting to KDNil (2018: KD1,754,038) transferred from other payables, following their allocation to specific units of the on-going projects during the period.

** Certain receivables against revenue from sale of properties related to Balqis Residence project were set off against total deposits since the project is nearing completion and the revenue-deposits gap is expected to close out shortly. Further, management believes that the credit risk exposure in relation to these receivables is minimal since the properties are still under construction and yet to be hand over.

32 Proposed distributions

The board of directors of the Parent Company propose not to distribute any dividend for the year ended 31 December 2019. This proposal is subject to the approval of the annual general assembly of shareholders. The general assembly of shareholders held on 28 March 2019 approved not to distribute any dividend for the year ended 31 December 2018.

33 Segmental information

The Group activities are concentrated in four main segments: property development, hoteliering, investments and others. The segment's results are reported to the higher management in the Group. In addition, the segments revenue, assets are reported based on the geographic locations which the Group operates in.

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

Notes to the consolidated financial statements (continued)

33 Segmental information (continued)

	Year ended 31 Dec. 2019				
	Property development KD	Hoteliering KD	Investments KD	Others KD	Total KD
Segment revenue	52,616,150	22,052,583	925,464	177,116	75,771,313
Less:					
Net income from ticket sale and related services					(194,783)
Fees and commission income					(768,785)
Share of results of associate					39,673
Change in fair value of investment properties					1,696
Gain on sale of investment properties					(81,431)
Impairment in value of assets					3,976,088
Interest income					(160,826)
Other income					(3,028,810)
Revenue as per consolidated statement of profit or loss					75,554,135
Segment (loss) / profit before taxation, KFAS, NLST and Zakat	(14,683,928)	(5,567,884)	(1,822,204)	28,881	(22,045,135)
Depreciation	2,089,532	1,736,529	47,204	8,785	3,882,050
Segment assets	250,828,333	19,915,370	7,700,025	1,005,060	279,448,788
Segment liabilities	(184,606,058)	(18,292,699)	(59,393,142)	(362,440)	(262,654,339)

	Year ended 31 Dec. 2018				
	Property development KD	Hoteliering KD	Investments KD	Others KD	Total KD
Segment revenue	32,677,877	23,468,529	271,279	1,502,171	57,919,856
Less:					
Net income from ticket sale and related services					(323,813)
Fees and commission income					(648,109)
Share of results of associate					53,094
change in fair value of investment properties					(28,449)
Gain on sale of investment properties					(71,122)
Impairment in value of assets					684,789
Interest income					(226,316)
Other income					(303,933)
Revenue as per consolidated statement of profit or loss					57,055,997
Segment (loss) / profit before taxation, KFAS, NLST and Zakat	(11,568,501)	(16,555,349)	6,820,143	65,254	(21,238,453)
Depreciation	2,131,899	1,696,322	46,405	9,052	3,883,678
Segment assets	317,060,474	19,935,870	6,516,834	1,235,379	344,748,557
Segment liabilities	(240,453,302)	(17,198,020)	(45,822,367)	(571,641)	(304,045,330)

Notes to the consolidated financial statements (continued)

33 Segmental information (continued)

Geographical segments:

The geographical analysis is as follows:

	Assets		Revenue	
	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD
Kuwait	3,588,163	3,580,995	791,412	608,781
UAE and Asia	242,739,693	303,320,500	70,250,032	50,368,092
Africa	29,329,329	30,795,222	4,585,091	6,621,049
Others	3,791,603	7,051,840	144,778	321,934
	279,448,788	344,748,557	75,771,313	57,919,856

34 Capital commitments and contingencies

Capital expenditure commitments

At 31 December 2019, the Group was committed to invest in the additional anticipated funding required to build several real estate projects in Dubai, UAE and South Africa. The estimated funding commitments on these projects are as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Estimated and contracted capital expenditure for construction of properties under development and trading properties	1,795,918	4,740,851
Finance guarantees	29,212	33,431
Post-dated cheques issued	6,669,582	5,287,006
	8,494,712	10,061,288

The Group expects to finance the future expenditure commitments from the following sources:

a) sale of trading properties;
b) deposits received from customers;
c) repayment of advances provided by shareholders, related entities, joint ventures; and
d) borrowings, if required.

35 Related party transactions

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

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Balances included in the consolidated statement of financial position:		
Amounts due from other related parties (note 19) *	30,232,687	1,819,016
Amounts due to former Ultimate Parent Company	16,379,260	16,390,539
Amounts due to other related parties	57,904,388	46,222,557
Shareholders loan given to an associate (refer note 6)	4,851,608	4,494,591

Notes to the consolidated financial statements (continued)

35 Related party transactions (continued)

	Year ended 31 Dec 2019 KD	Year ended 31 Dec 2018 KD
Transactions included in the consolidated statement of profit or loss		
Revenue from disposal of property under development *	28,385,222	-
Fees and commission income	229,167	275,000
Finance costs	319,927	328,130
Gain disposal of subsidiary (note 6.1.4)	-	388,679
Compensation of key management personnel of the Group		
Short-term employee benefits	641,912	503,900

* During the year cost of properties underdevelopment amounting to KD25,148,382 and the net consideration receivable on the sale of these properties under development amounting to KD28,325,629 has been included under due from related party under account receivable and other assets.

Related party balances outstanding at year end due to funds transfer are included under due from related parties and due to related parties.

Amount due from other related parties are interest free and have no specific repayment dates.

Amount due to other related parties include short term advance of KD8,515,472 (2018: KD9,587,090) which carry interest at 2.5% to 4.25% above the Central Bank of Kuwait discount rate per annum with no specific repayment dates and the remaining balances of KD 49,388,915 (2018: KD36,635,467) are non-interest bearing and have no specific repayment terms. Further, the amount due to former Ultimate Parent Company are non-interest bearing and have no specific repayment dates.

36 Summary of financial assets and liabilities by category and fair value measurement

36.1 Categories of financial assets and liabilities

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

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial assets:		
Investments at FVOCI (note 18)	1,021,774	2,392,025
Financial assets at amortised cost:		
- Accounts receivable and other assets (note 19)	59,348,629	34,229,785
- Shareholders loan given to an associate (note 6)	4,851,608	4,494,591
- Cash and cash equivalents	5,811,046	56,448,479
	70,011,283	95,172,855
Total financial assets	71,033,057	97,564,880

Notes to the consolidated financial statements (continued)

36 Summary of financial assets and liabilities by category and fair value measurement (continued)

36.1 Categories of financial assets and liabilities (continued)

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial liabilities at (amortised cost):		
- Term loans	110,878,060	168,926,898
- Retention payable	4,642,002	8,137,348
- Due to related parties	74,283,648	62,613,096
- Accounts payable and other liabilities	60,049,512	54,904,881
Total financial liabilities	249,853,222	294,582,223

36.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Group's management, the carrying amounts of all financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (refer 36.4).

36.3 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

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

Notes to the consolidated financial statements (continued)

36 Summary of financial assets and liabilities by category and fair value measurement (continued)

36.3 Fair value hierarchy for financial instruments measured at fair value (continued)

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

31 December 2019	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
Financial assets at fair value:					
Investments at fair value through other comprehensive income					
- Local investments – Unquoted shares	a	-	-	30,527	30,527
- Foreign investments – Unquoted shares	a	-	-	991,247	991,247
Total assets		-	-	1,021,774	1,021,774

31 December 2018	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total Balance KD
Financial assets at fair value:					
Investments at fair value through other comprehensive income					
- Local investments – Unquoted shares	a	-	-	34,469	34,469
- Foreign investments – Unquoted shares	a	-	-	2,357,556	2,357,556
Total assets		-	-	2,392,025	2,392,025

Measurement at fair value

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

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Unquoted shares (level 3)

These represent holdings in local and foreign unlisted securities which are measured at fair value. Fair value is estimated based on the net asset value reported in the latest available financial information, discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

Notes to the consolidated financial statements (continued)

36 Summary of financial assets and liabilities by category and fair value measurement (continued)

36.3 Fair value hierarchy for financial instruments measured at fair value (continued)

Level 3 Fair value measurements

The Group measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
As at 1 January	2,392,025	1,851,525
Disposed of during the year	(1,922,436)	-
Transferred from investment carried at cost	-	739,730
Change in fair value	552,185	(203,180)
Additions during the year	-	3,950
As of 31 December	1,021,774	2,392,025

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

31 December 2019

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted shares	DCF Method	Long term growth rate for cash flows for subsequent years	3%	Higher the growth rate, higher the value
		WACC	8%	Higher the WACC, lower the value

31 December 2018

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted shares	DCF Method	Long term growth rate for cash flows for subsequent years	3%	Higher the growth rate, higher the value
		WACC	8%	Higher the WACC, lower the value

The impact on other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

Notes to the consolidated financial statements (continued)

36 Summary of financial assets and liabilities by category and fair value measurement (continued)

36.4 Fair value measurement of non-financial assets

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
-Apartments in Portugal (3 units)	-	-	1,014,611	1,014,611
	-	-	1,014,611	1,014,611

31 December 2018

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investment properties				
-Apartments in Portugal (8 units)	-	-	2,952,589	2,952,589
	-	-	2,952,589	2,952,589

Fair value of the investment properties disclosed in above has been determined by independent valuers using market comparison in Portugal (2018: Portugal) assessed by valuers and data provided by management. Therefore, it falls in the level 3 of the fair value hierarchy. Information on significant inputs and assumptions are as follows:

31 December 2019:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Apartments in Portugal	Transaction comparison approach/ Market method and cost method	Estimated market price (per sqm)	KD2,570 to KD2,996	The higher the estimated market price, the higher the fair value

31 December 2018:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Apartments in Portugal	Transaction comparison approach/ Market method and cost method	Estimated market price (per sqm)	KD2,184 to KD2,316	The higher the estimated market price, the higher the fair value

Level 3 Fair value measurements

The group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in investment properties is given in note 17.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies

The Group's principal financial liabilities comprise "term loans", "retention payable", "due to related parties and accounts payable and other liabilities", "Lease liabilities" and "Derivative financial instrument". The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, cash and cash equivalents, loans to associates and investment securities which arise directly from operations.

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

The Parent Company's board of directors sets out policies for reducing each of the risks discussed below.

The Group does not use derivative financial instruments.

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

37.1 Market risk

a) Foreign currency risk

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

The Group mainly operates in the Middle Eastern countries, South Africa & Indian Ocean region and European countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollars and Euro. The Group's statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of continuous assessment of the Groups' open positions.

The Group had the following significant exposures denominated in foreign currencies at the reporting date, translated into Kuwaiti Dinars at the closing rates:

	31 Dec. 2019 Equivalent KD	31 Dec. 2018 Equivalent KD
US Dollars	23,652	1,210,871
Euro	945,018	1,311,455

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, a reasonable possible change in exchanges rates of the foreign currencies noted above would not have a significant impact on the Group's consolidated profit or loss.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its term deposits and borrowings which are (both at fixed rate and floating interest rates). The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.1 Market risk

b) Interest rate risk (continued)

The Group does not have any off balance sheet financial instrument which are used to manage the interest rate risk.

The following table illustrates the sensitivity of the loss for the year to a possible change in interest rates of + 1% and – 1% (2018: + 1% and –1%) with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2019 1% KD	31 Dec. 2018 1% KD	31 Dec. 2019 1% KD	31 Dec. 2018 1% KD
Loss for the year	(1,108,781)	(1,689,269)	1,108,781	1,689,269

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is not exposed to any significant price risks as of 31 December 2019 as Group's investments are unquoted.

37.2 Credit risk

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

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

	31 Dec. 2019 KD	31 Dec. 2018 KD
Investments at fair value through other comprehensive income	1,021,774	2,392,025
Shareholders loan given to an associate (note 6)	4,851,608	4,494,591
Accounts receivable and other assets (note 19)	59,348,629	34,229,785
Cash and cash equivalents	5,811,046	56,448,479
	71,033,057	97,564,880

Except for certain loans to associates and due from related parties referred in notes 6, and 19 respectively none of the above financial assets are past due nor impaired. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.2 Credit risk (continued)

The credit risk for bank balance is considered negligible, since the counterparties are reputable financial institutions with high credit quality and no history of default. Based on management assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly.

37.3 Concentration of assets

The distribution of financial assets by geographic region for 2019 and 2018 are as follows:

	Kuwait KD	Asia & Middle East KD	Africa KD	UK & Europe KD	Total KD
At 31 December 2019					
Investments at fair value through other comprehensive income	30,527	-	-	991,247	1,021,774
Shareholders loan given to an associate	-	-	4,851,608		4,851,608
Accounts receivable and other assets (note 19)	31,407,646	23,558,703	3,541,550	840,730	59,348,629
Cash and cash equivalents	146,166	4,099,246	620,616	945,018	5,811,046
	31,584,339	27,657,949	9,013,774	2,776,995	71,033,057
At 31 December 2018					
Investments at fair value through other comprehensive income	34,469	-	-	2,357,556	2,392,025
Shareholders loan given to an associate	-	-	4,494,591	-	4,494,591
Accounts receivable and other assets (note 19)	2,937,760	28,338,569	2,523,216	430,240	34,229,785
Cash and cash equivalents	156,764	54,327,448	652,813	1,311,454	56,448,479
	3,128,993	82,666,017	7,670,620	4,099,250	97,564,880

37.4 Liquidity risk

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

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

	On Demand KD	1-3 Months KD	3-12 months KD	1-5 Years KD	More than 5 years KD	Total KD
At 31 December 2019						
Financial liabilities						
Term loans	-	17,397,634	16,561,614	50,586,547	89,555,267	174,101,062
Retention payable	-	-	3,127,359	1,514,643	-	4,642,002
Lease liabilities	-	188,642	1,058,940	1,104,907	-	2,352,489
Derivative liability	-	60,488	211,144	1,010,164	-	1,281,796
Due to related parties	-	74,283,648	-	-	-	74,283,648
Accounts payable and other liabilities	-	60,049,512	-	-	-	60,049,512
	-	151,979,924	20,959,057	54,216,261	89,555,267	316,710,509

Notes to the consolidated financial statements (continued)

37 Risk management objectives and policies (continued)

37.4 Liquidity risk (continued)

	On Demand KD	1-3 Months KD	3-12 months KD	1-5 Years KD	More than 5 years KD	Total KD
At 31 December 2018						
Financial liabilities						
Term loans	-	54,889,238	50,435,263	68,776,532	-	174,101,033
Retention payable	-	-	3,031,172	5,106,176	-	8,137,348
Due to related parties	-	62,613,096	-	-	-	62,613,096
Accounts payable and other liabilities	-	54,904,881	-	-	-	54,904,881
	-	172,407,215	53,466,435	73,882,708	-	299,756,358

38 Capital management objectives

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

The capital of the Group consists of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the return on equity and it is calculated as profit for the year divided by total equity as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Loss attributable to the owners of the Parent Company	(22,524,025)	(19,251,197)
Equity attributable to the owners of the Parent Company	17,132,946	40,991,283
Return on equity attributable to the owners of the Parent Company	(131.47)%	(46.96)%

39 Subsequent events

Subsequent to balance sheet date on 11 March 2020, the World Health Organization characterised Virus Covid-19 as a pandemic, negatively impacting global markets, including Kuwait Stock Market (Boursa) which declined over 24% upto end of March 2020 disrupting supply chains, and changing social behaviour. It is uncertain if Covid-19 will continue disrupting global markets and what impact it will have on the Group's operation. As the situation is fluid and rapidly evolving, the Group do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group.