

Interim condensed consolidated financial information and review report

Kuwait Real Estate Company – KPSC and Subsidiaries

Kuwait

30 September 2019 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Kuwait Real Estate Company – KPSC
Kuwait

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Real Estate Company KPSC (“the Parent Company”) and its subsidiaries (“the Group”) as of 30 September 2019 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

Report on review of other legal and regulatory requirements

Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Memorandum of Incorporation and Articles of Association of the Parent Company, as amended, have occurred during the nine-month period ended 30 September 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

Interim condensed consolidated statement of profit or loss

		Three months ended		Nine months ended	
	Notes	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Income					
Real estate rental income		5,838,376	4,306,310	17,806,962	13,169,309
Real estate operating expenses		(725,954)	(1,963,188)	(2,138,193)	(5,660,171)
Net rental income		5,112,422	2,343,122	15,668,769	7,509,138
Change in fair value of investment properties	9	(1,686,072)	-	(5,058,214)	-
Change in fair value of financial assets at FVTPL		375,425	487,461	453,844	725,910
Share of results of associates		(21,514)	8,619	140,988	34,567
Dividend income		31,155	71,839	263,744	305,001
Reversal of provision no longer required		-	-	-	903,744
Gain on bargain purchase of subsidiary	5	-	-	3,579,018	-
Other income		220,360	198,994	650,390	836,702
		4,031,776	3,110,035	15,698,539	10,315,062
Expenses and other charges					
General and administrative expenses		473,736	404,146	1,317,558	1,010,487
Finance costs	6	2,061,652	1,449,105	6,008,406	3,903,026
Provision for doubtful debts		-	67,178	400,000	172,203
Provision for tax claims of foreign subsidiary	7	-	-	608,000	-
		2,535,388	1,920,429	8,333,964	5,085,716
Profit for the period before provisions for Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat					
Provision for KFAS		1,496,388	1,189,606	7,364,575	5,229,346
Provision for NLST		(6,306)	(5,353)	(31,731)	(23,532)
Provision for NLST		(41,711)	(29,740)	(198,482)	(130,734)
Provision for Zakat		(21,541)	(11,896)	(93,995)	(52,293)
Profit for the period		1,426,830	1,142,617	7,040,367	5,022,787
Attributable to :					
Owners of the Parent Company		1,346,093	1,142,617	6,772,858	5,022,787
Non-controlling interest		80,737	-	267,509	-
Profit for the period		1,426,830	1,142,617	7,040,367	5,022,787
Basic and diluted earnings per share attributable to owners of the Parent Company (fils)					
	8	1.55	1.28	7.88	5.60

The notes set out on pages 9 to 29 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended		Nine months ended	
	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD	30 Sept. 2018 (Unaudited) KD
Profit for the period	1,426,830	1,142,617	7,040,367	5,022,787
Other comprehensive income/(loss):				
<i>Items that will not be reclassified subsequently to interim condensed consolidated statement of profit or loss</i>				
Financial assets at fair value through other comprehensive income:				
- Net change in fair value arising during the period	27,502	(63,915)	(2,380,667)	(4,539,927)
Exchange differences arising on translation of foreign operations	60,520	405,136	46,673	69,325
Total other comprehensive income/(loss)	88,022	341,221	(2,333,994)	(4,470,602)
Total comprehensive income for the period	1,514,852	1,483,838	4,706,373	552,185
Attributable to :				
Owners of the Parent Company	1,434,115	1,483,838	4,438,864	552,185
Non-controlling interests	80,737	-	267,509	-
Total comprehensive income for the period	1,514,852	1,483,838	4,706,373	552,185

The notes set out on pages 9 to 29 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Assets				
Non-current assets				
Property and equipment		227,053	1,986,775	2,070,205
Investment properties	9	219,811,702	174,739,425	172,570,390
Properties under development	10	7,450,699	-	-
Capital work in progress		2,914,220	221,864	1,280,875
Financial assets at FVTOCI		33,146,444	31,963,886	31,831,457
Investment in associates		7,148,860	5,919,095	3,226,904
Due from related parties	18	359,469	-	-
Total non-current assets		271,058,447	214,831,045	210,979,831
Current assets				
Trading properties		9,288,640	9,258,085	12,442,565
Due from related parties	18	7,872,331	2,019,328	9,749,924
Accounts receivable and other assets		4,359,636	3,412,677	3,328,566
Advance payments for purchase of investments	11	10,480,392	14,037,524	-
Financial assets at fair value through profit or loss		26,261,642	24,374,499	28,238,458
Cash and cash equivalents	12	4,316,665	2,961,865	5,077,251
Total current assets		62,559,306	56,063,978	58,836,864
Total Assets		333,617,753	270,895,023	269,816,695
Equity and Liabilities				
Equity				
Share capital	13	94,736,506	90,671,294	90,671,294
Share premium		3,425,191	3,425,191	3,425,191
Treasury shares	14	(5,820,051)	(943,694)	(943,694)
Other components of equity	15	20,140,807	21,735,909	23,025,445
Retained earnings		21,564,698	17,419,769	16,849,405
Equity attributable to owners of the Parent Company		134,047,151	132,308,469	133,027,641
Non-controlling interests		3,166,878	-	-
Total equity		137,213,829	132,308,469	133,027,641
Liabilities				
Non-current liabilities				
Borrowings	16	137,956,155	111,571,399	110,110,580
Lease liabilities	17	29,563,403	-	-
Provision for employees' end of service benefits		1,008,683	785,897	797,241
Total non-current liabilities		168,528,241	112,357,296	110,907,821
Current liabilities				
Due to related parties	18	654,105	696,671	730,249
Borrowings	16	2,036,908	6,892,877	2,696,113
Lease liabilities	17	7,500,965	-	-
Lease contracts liability		-	3,207,996	3,670,288
Accounts payable and other liabilities		13,273,581	11,032,321	14,176,788
Due to bank		4,410,124	4,399,393	4,607,795
Total current liabilities		27,875,683	26,229,258	25,881,233
Total Liabilities		196,403,924	138,586,554	136,789,054
Total Equity and Liabilities		333,617,753	270,895,023	269,816,695

Ibrahim Saleh Al-Therban
Chairman

The notes set out on pages 9 to 29 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

Equity attributable to the owners of the Parent Company								
	Other components							
	Share capital KD	Share premium KD	Treasury shares KD	of equity (Note 15) KD	Retained earnings KD	Sub total KD	Non- controlling interests KD	Total KD
Balance at 1 January 2019	90,671,294	3,425,191	(943,694)	21,735,909	17,419,769	132,308,469	-	132,308,469
Adjustment arising on adoption of IFRS 16 (note 3.1)	-	-	-	-	2,232,950	2,232,950	-	2,232,950
Balance as at 1 January 2019 (restated)	90,671,294	3,425,191	(943,694)	21,735,909	19,652,719	134,541,419	-	134,541,419
Purchase of treasury shares	-	-	(8,925,098)	-	-	(8,925,098)	-	(8,925,098)
Sale of treasury shares	-	-	1,356,401	204,562	-	1,560,963	-	1,560,963
Bonus shares distributions (note 20)	-	-	2,692,340	470,963	(3,163,303)	-	-	-
Non-controlling interests arising on acquisition of subsidiary (note 5)	-	-	-	-	-	-	2,899,169	2,899,169
Shares issued to acquire a subsidiary (notes 5 & 13)	4,065,212	-	-	-	(1,634,209)	2,431,003	-	2,431,003
Transactions with the shareholders	4,065,212	-	(4,876,357)	675,525	(4,797,512)	(4,933,132)	2,899,169	(2,033,963)
Profit for the period	-	-	-	-	6,772,858	6,772,858	267,509	7,040,367
Other comprehensive loss for the period	-	-	-	(2,333,994)	-	(2,333,994)	-	(2,333,994)
Total comprehensive (loss)/income for the period	-	-	-	(2,333,994)	6,772,858	4,438,864	267,509	4,706,373
Realised loss on disposal of financial assets at FVTOCI	-	-	-	63,367	(63,367)	-	-	-
Balance at 30 September 2019 (unaudited)	94,736,506	3,425,191	(5,820,051)	20,140,807	21,564,698	134,047,151	3,166,678	137,213,829

The notes set out on pages 9 to 29 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity (Unaudited)

	Equity attributable to the owners of the Parent Company						
	Share capital KD	Share premium KD	Treasury shares KD	Other components of equity (Note 15) KD	Retained earnings KD	Sub total KD	Non- controlling interest KD
Balance at 1 January 2018	90,671,294	3,425,191	(208,149)	26,476,064	12,953,860	133,318,260	-
Adjustment arising on adoption of IFRS 9	-	-	-	871,831	(979,090)	(107,259)	-
Balance as at 1 January 2018 (restated)	90,671,294	3,425,191	(208,149)	27,347,895	11,974,770	133,211,001	-
Purchase of treasury shares	-	-	(735,545)	-	-	(735,545)	-
Profit for the period	-	-	-	-	5,022,787	5,022,787	-
Other comprehensive loss for the period	-	-	-	(4,470,602)	-	(4,470,602)	-
Total comprehensive (loss)/income for the period	-	-	-	(4,470,602)	5,022,787	552,185	-
Realised loss on disposal of financial assets at FVTOCI	-	-	-	148,152	(148,152)	-	-
Balance at 30 September 2018 (unaudited)	90,671,294	3,425,191	(943,694)	23,025,445	16,849,405	133,027,641	-

The notes set out on pages 9 to 29 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2019 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD
OPERATING ACTIVITIES		
Profit for the period	7,040,367	5,022,787
Adjustments:		
Depreciation	21,972	242,269
Finance costs	6,008,406	3,903,026
Change in fair value of investments at fair value through profit or loss	(453,844)	(725,910)
Share of results of associates	(140,988)	(34,567)
Dividend income	(263,744)	(305,001)
Gain on bargain purchase of a subsidiary	(3,579,018)	-
Change in fair value of investment properties	5,058,214	-
Provision for employees' end of service benefits	55,937	162,218
Provision for lease contracts commitment	-	3,208,001
Provision for doubtful debts	400,000	172,203
Provision for tax claims of overseas subsidiary	608,000	-
Reversal of provision no longer required	-	(903,744)
	14,755,302	10,741,282
Changes in operating assets and liabilities:		
Due from related parties	(6,212,472)	(8,475,800)
Accounts receivable and other assets	437,876	(329,235)
Advance payment to purchase investments	3,577,132	-
Due to related parties	(42,566)	22,583
Accounts payable and other liabilities	(1,000,873)	(1,688,030)
Lease contracts commitment paid	-	(4,812,000)
Employees' end of service benefits paid	(4,563)	(74,274)
Net cash from/(used in) operating activities	11,509,836	(4,615,474)
INVESTING ACTIVITIES		
Purchase of property and equipment	(11,146)	(163,662)
Additions to properties under development	(7,450,699)	-
Additions to capital work in progress	(2,692,353)	(823,704)
Purchase of investments at fair value through other comprehensive income	(4,182,981)	(156,858)
Purchase of investments at fair value through profit or loss	(1,248,218)	(6,285,520)
Purchase of trading properties	(30,555)	(41,065)
Purchase of investment properties	(432,745)	(8,291,780)
Addition in associates	(1,157,821)	-
Proceeds from sale of investments at fair value through profit or loss	-	363,723
Proceeds from sale of investments at fair value through other comprehensive income	515,467	-
Dividends received from associates	125,181	430,664
Dividends income received	263,744	305,001
Bank balances resulted on acquisition of a subsidiary	3,046,106	-
Term deposits with maturity exceeding three months	(433,056)	(153,750)
Net cash used in investing activities	(13,689,076)	(14,816,951)

The notes set out on pages 9 to 29 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2019 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD
FINANCING ACTIVITIES			
Net change in credit facilities		21,528,787	20,276,984
Finance costs paid		(4,959,371)	(2,788,336)
Lease liabilities paid		(8,232,000)	-
Net movement in treasury shares		(4,876,357)	(735,545)
Net cash generated from financing activities		3,461,059	16,753,103
Net differences in foreign currency translation		(97,940)	41,851
Net increase/(decrease) in cash and cash equivalents		1,281,819	(2,679,322)
Cash and cash equivalents at the beginning of the period	12	(1,847,972)	2,618,615
Cash and cash equivalents at the end of the period	12	(664,093)	(18,856)
Material non-cash transactions:			
Acquisition of a subsidiary			
- Issue of share capital acquire a subsidiary		4,065,212	-
- Non-controlling interest		2,899,169	-
- Proceed on disposal of financial assets at FVOCI		350,499	-
- Increase in net assets excluding bank accounts		(6,213,760)	-
Investment properties		(26,144,198)	-
lease liabilities		26,144,198	-

The notes set out on pages 9 to 29 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities of the Parent Company

Kuwait Real Estate Company – KPSC (Parent Company) was incorporated in 1972 as a Kuwaiti Public Shareholding Company in accordance with the provisions of the commercial Companies Law in the State of Kuwait.

The Group comprises the Parent Company and its subsidiaries (together referred as “the Group”). The details of the subsidiaries are described in Note 5.

The main activities of the Parent Company are as follows:

- Carry out various real estate works for achieving profit, including sale, purchase, renting out and leasing of lands and real estate properties, erect buildings, prepare and implement studies of the private and public real estate projects directly or through mediation whether in Kuwait or abroad.
- Carry out various building works and related works whether for its account or for the account of third parties and import, trade in all materials related to real estate and other works related or necessary thereto.
- Invest in companies' shares or projects similar to the Company's objectives or manage and direct such institutions in such a way that achieves interest.
- Build housing whether for citizens or government employees or the employees of official or private authorities against receiving their value from them either in cash or on installments.
- Carry out contracting works in general whether directly or through participation with other contracting companies or representing same.
- Manage others' properties in Kuwait and abroad.
- Erect private and public buildings and projects, including malls, entertainment centers, touristic utilities and implement them directly or through third parties in Kuwait or abroad and rent out or sell same in cash or on installments after approval by the competent authorities.
- Create, manage or share third parties in real estate investment funds only whether in Kuwait or abroad to employ and invest funds on behalf of others after approval by the competent authorities.
- Do various real estate work for achieving profit, including acquisition, sale and purchase of lands and real estate properties and develop them for the account of the Company inside and outside Kuwait, rent out and lease same and erect buildings.
- Prepare studies and provide consultations in all kinds of real estate fields, provided the required terms and conditions are met by those who offer this service.
- Acquire, sell and purchase shares and bonds of the companies or projects similar to the Company's objectives or manage such institutions and direct same in such a way that achieves interest.
- Acquire movables and real estate properties necessary to conduct its activity within the limits permitted by the law and in compliance with its objectives.
- Perform maintenance works related to the buildings and properties owned by the Company and others, including civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organize real estate exhibitions for the Company's real estate projects.
- Hold real estate auctions.
- Utilize the surplus funds available with the Company by investing same in financial portfolios managed by specialized companies and entities inside and outside Kuwait.
- Contribute directly to set out the basic structure of the residential, commercial areas and projects by "Building, Operation & Transfer" (BOT) system and manage the real estate utilities by BOT system.

Notes to the interim condensed consolidated financial information (continued)

1 Incorporation and activities of the Parent Company (continued)

The Parent Company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also establish or share or purchase these entities or affiliate them therewith.

The Parent Company's shares are listed on Boursa Kuwait.

The address of the Parent Company's registered office is P.O.Box 1257, Safat 13013, State of Kuwait.

This interim condensed consolidated financial information for the nine-month period ended 30 September 2019 was authorised for issue by the Parent Company's board of directors on 6 November 2019.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2019 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of these interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018, except for the changes described in note 3.

The interim condensed consolidated financial information has been presented in Kuwaiti Dinar which is the functional and presentation currency of the Parent Company.

The interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of the Parent Company's management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2018.

Operating results for the nine-month period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2018.

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 is presented below:

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

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

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.

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.

On transition, for leases, if any, 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.

For those leases previously classified as the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.15%.

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

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 16 Leases (continued)

Impact on initial application:

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

	31 Dec. 2018 KD	Adjustments KD	1 Jan. 2019 KD
Property and equipment	1,775,046	(1,775,046)	-
Investment properties	-	26,944,198	26,944,198
Lease liabilities	-	26,144,198	26,144,198
Lease contracts liability	3,207,996	(3,207,996)	-
Retained earnings	17,419,769	2,232,950	19,652,719

As a result of implementation of IFRS 16, the Group has determined that its properties leased from the Ministry of Finance-State Properties department meet the scope of the standard and the Group is an intermediate lessor. Further, these leased properties meet the definition of investment property in IAS 40. Accordingly, these properties have been recognised as investment properties and are measured at fair value in line with the accounting policy choice of the Group for its investment properties. Consequent to implementation of the standard, the Group's retained earnings as of 1 January 2019 has been adjusted with a gain of KD2,232,950. The gain represents recognition of change in fair value of the right-of-use of assets of KD800,000, reversal of the accrual of lease contracts liabilities and write off of development costs of the leased properties.

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.

New accounting policy for leases

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 interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 16 Leases (continued)

New accounting policy for leases (continued)

The Group as a lessee (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 statement of financial position 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 accounts for its right-of-use assets as investment properties carried at fair value. The fair values are determined by external professional valuers with sufficient experience based on projected cash flows using discount rate and market conditions. Any gain or loss resulting from a change in the fair value is immediately recognised in the statement of profit or loss.

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 contracts. 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.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

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

IFRS 16 Leases (continued)

New accounting policy for leases (continued)

The Group as a lessor (continued)

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.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments* 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.

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 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

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.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective

At the date of authorisation of this interim condensed consolidated financial information, 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 interim condensed consolidated financial information is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's interim condensed consolidated financial information.

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
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 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.

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 does not anticipate that the application of these amendments will have a significant 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;

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 3 – Amendments (continued)

- 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.

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 Judgement and estimates

The preparation of interim condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 December 2018, except for the changes arising from applying IFRS 16 as noted in 3 above. These include identification of whether a contract contains a lease, determine reasonable certainty of extension or termination of a lease, classification of leases, determining whether variable payments are in-substance fixed, establishing whether there are multiple leases in a single contract and determination of appropriate discount rate.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries

Name of subsidiary	Country of incorporation	Ownership Percentage			Principle activity
		30 Sept. 2019	31 Dec. 2018	30 Sept. 2018	
Habara Pearl Farm Company – American Shareholding Co.	USA	100%	100%	100%	Investment
Al-Aqdain Kuwaiti for Real Estate Development Co– KSCC	Kuwait	99.99%	99.99%	96%	Real estate
Financial Group of Kuwait Co. – KSC (Holding)	Kuwait	99.99%	99.99%	99.99%	Investment
KREC Debt Company Limited	Cayman Islands	100%	100%	100%	Investment
KREC Equity Company Limited	Cayman Islands	100%	100%	100%	Investment
KREC Meeker Debt Company Limited	Cayman Islands	100%	100%	100%	Investment
KREC Meeker Equity Company Limited	Cayman Islands	100%	100%	100%	Investment
KREC Yotel Miami Debt Company Limited	Cayman Islands	-	-	100%	Investment
KREC Yotel Miami Equity Company Limited	Cayman Islands	-	-	100%	Investment
IFA Hotels and Resorts Co. – S.A.L (Lebanon)	Lebanon	100%	100%	100%	Real estate
Al-Fereej International Real Estate Co. – WLL	Kuwait	99%	99%	99%	Real estate
Al Mottahida General Investment – LLC	UAE	99%	-	-	Real estate
Al Durrar General Investment – LLC	UAE	99%	-	-	Real estate
Delano Investments – FZE	UAE	100%	-	-	Investment
Delano Managing office – FZE	UAE	100%	-	-	Service
International Resorts Co. - KPSC	Kuwait	68.69%	-	-	Real estate

- a) The shareholders of International Resorts Co. (“IRC”) in their Annual General Assembly held on 21 March 2019 approved the IRC’s board of directors proposal for the optional withdrawal from Kuwait Stock Exchange. The withdrawal was approved by the relevant authorities on 27 June 2019. Accordingly, the subsidiary has scheduled the withdrawal date on 9 January 2020.
- b) During the period, the Group established two new subsidiaries under the name of Al Mottahida General Investment – LLC and Al Durrar General Investment – LLC in UAE with a share capital of AED100,000 (equivalent to KD 8,300) each representing its 99% ownership interests in the subsidiaries.
- c) During the period, the Group established two new subsidiaries under the name of Delano Investments – FZE and Delano Managing Office – FZE in UAE with a share capital of AED300,000 (equivalent to KD 24,900) each representing its 100% ownership interests in the subsidiaries.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries (continued)

- d) On 11 March 2019, the non-cash acquisition of International Resorts Co. – KPSC (“IRC”) was completed. The Group acquired an additional 89,345,319 shares representing 57.84% interest in IRC by issuing of 40,652,120 new shares of the Parent Company with a fair value of KD2,430,997. Accordingly, the Group’s ownership in IRC increased from 10.85% as of 31 December 2018 to 68.69%. Therefore, the Group reclassified the existing investment from financial assets at FVTOCI to investment in subsidiary since management believes that subsequent to acquisition of additional shares the Group has the power to control the investee. The acquisition resulted in a provisional bargain purchase of KD3,579,018. The provisional fair value of the identifiable assets and liabilities as at the date of acquisition of the above investee are as follows:

	KD
Total assets	28,685,423
Total liabilities	19,425,557
Net assets	9,259,866
Purchase consideration:	
Fair value of new shares	2,431,003
Fair value of the previously held equity interests in IRC	350,493
Total consideration	2,781,496
Less: share of net assets acquired	(6,360,514)
Bargain purchase	(3,579,018)

The fair value of identifiable assets and liabilities acquired have been provisionally determined by the management of the Group. The estimates referred to above, and resultant bargain purchase, are subject to revision within twelve months of the acquisition date.

6 Finance costs

	Nine months ended 30 Sept. 2019 (Unaudited) KD	Nine months ended 30 Sept. 2018 (Unaudited) KD
Interest on due to bank	133,389	103,711
Finance costs on borrowings	4,755,291	3,799,315
Interest on lease liabilities	1,119,726	-
	6,008,406	3,903,026

Notes to the interim condensed consolidated financial information (continued)

7 Provision for tax claims

As at the reporting date, there are a number of outstanding tax claims by the Ministry of Finance in the Republic of Lebanon against a subsidiary involving taxes for the years from 2012 to 2014. Although management of the subsidiary has filed objections against these tax claims with the relevant tax administration, the Group has recognised a provision of KD608,000 equivalent to USD 2 million against liabilities that may arise from these disputed claims.

8 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by weighted average number of shares outstanding during the period excluding treasury shares.

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2019	30 Sept. 2018	30 Sept. 2019	30 Sept. 2018
Profit for the period attributable to the Parent Company (KD)	1,346,093	1,142,617	6,772,858	5,022,787
Weighted average number of shares outstanding during the period (excluding treasury shares) (share)	870,134,700	890,246,540	859,548,958	896,385,207
Basic and diluted earnings per share (Fils)	1.55	1.28	7.88	5.60

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

9 Investment properties

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sep. 2018 (Unaudited) KD
<i>Owned properties</i>			
Balance at the beginning of the period/year	174,739,425	164,278,166	164,278,166
Additions during the period/year	416,436	8,286,695	8,292,224
Transferred from capital work in progress	-	1,826,794	-
Arising on acquisition of subsidiary	4,192,103	-	-
Change in fair value	-	347,770	-
Balance at the end of the period/year	179,347,964	174,739,425	172,570,390
<i>Leased properties</i>			
Balance at the beginning of the period/year	-	-	-
Arising on adoption of IFRS 16	26,944,198	-	-
Arising on acquisition of subsidiary	18,577,754	-	-
Change in fair value for the period/year	(5,058,214)	-	-
Balance at the end of the period/year	40,463,738	-	-
Balance at the end of the period/year	219,811,702	174,739,425	172,570,390

Notes to the interim condensed consolidated financial information (continued)

9 Investment properties (continued)

The Group's investment properties are located as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sep. 2018 (Unaudited) KD
Kuwait	193,494,076	148,421,800	148,897,102
Other GCC and other countries	26,317,626	26,317,625	23,673,288
	219,811,702	174,739,425	172,570,390

Investment properties with carrying value of KD158,624,538 (KD153,594,200 as of 31 December 2018 and KD107,450,000 as of 30 September 2018) are pledged against borrowings and balances due to bank (Notes 12 and 16).

Leased properties represent the properties under the BOT contracts signed with the Ministry of Finance - State Properties department.

10 Properties under development

	30 Sept. 2019 (Unaudited) KD
Cost	
Land costs	5,349,888
Development costs	2,100,811
Net book value at end of the period	7,450,699

Properties under development are located in UAE which have been acquired during the period for the purpose of developing staff housing buildings (note 11.2).

11 Advance payments for purchase of investments

11.1 During 2018, the Group entered into an initial agreement with a related party to acquire a property located in the UAE for a total purchase consideration of AED400 million (equivalent KD33.2 million). The purchase price is to be settled partly in kind by transferring certain properties and balance in cash. However, this agreement has been amended subsequently and the purchase consideration has been revised to AED395 million without any in kind settlement. The Group is currently in the process of completing the regulatory formalities to register the properties in its name and arrange financing for the purchase. The amount of KD10,460,392 paid up to the reporting date has been accounted for as an advance payment.

Notes to the interim condensed consolidated financial information (continued)

11 Advance payments for purchase of investments (continued)

- 11.2 On 27 December 2018, the Group entered into an agreement to purchase properties located in the UAE for a total amount of equivalent KD5,200,000. The title deeds of these properties were transferred to the Group during the current period. Accordingly, this amount has been reclassified from advance payment as of 31 December 2018 to properties under development during the current period.

12 Cash and cash equivalents

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Cash and bank balances	3,605,415	2,504,544	4,545,267
Cash in investment portfolios managed by others	278,194	184,455	279,786
Term deposits	433,056	272,866	252,198
Cash and cash equivalents	4,316,665	2,961,865	5,077,251
Less:			
Due to bank	(4,410,124)	(4,399,393)	(4,607,795)
Restricted bank balances	(137,578)	(137,578)	(236,114)
Term deposits with maturity exceeding three months	(433,056)	(272,866)	(252,198)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	(664,093)	(1,847,972)	(18,856)

Restricted bank balances is maintained with foreign banks to cover any unpaid principal and interest relating to the certain term loans granted to the Group (note 16).

13 Share capital

At 30 September 2019, the authorized, issued and fully paid up share capital of the Parent Company comprised of 947,365,059 shares of 100 fils each (906,712,940 shares as at 31 December 2018 and 30 September 2018). All shares are cash shares.

During the period, the Parent Company increased its share capital to KD94,736,506 by issuing 40,652,120 shares of 100 fils each for non-cash acquisition of 57.84% ownership interest in International Resorts Company – KPSC (“IRC”) (note 5). As required by the Companies Law, the new shares were issued at par value of 100 fils. As a result, the difference between the par value KD4,065,212 and the fair value KD2,431,003 of the new shares issued amounting to KD1,634,209 has been recognised as a loss in the retained earnings in the statement of changes in equity.

The documentation in commercial register on share capital increase was completed on 11 March 2019.

Notes to the interim condensed consolidated financial information (continued)

14 Treasury shares

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Number of treasury shares	81,610,506	16,944,661	16,944,661
Percentage of ownership	8.61%	1.87%	1.87%
Market value (KD)	6,463,552	913,317	784,538
Cost (KD)	5,820,051	943,694	943,694

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

15 Other components of equity

	Statutory reserve KD	Voluntary reserve KD	Treasury shares reserve KD	Foreign currency translation reserve KD	Fair value reserve KD	Total KD
Balances at 1 January 2019	15,785,487	3,629,332	2,298,155	142,619	(119,684)	21,735,909
Realised loss on disposal of financial assets at FVTOCI	-	-	-	-	63,367	63,367
<i>Other comprehensive income:</i>						
Net change in fair value of financial assets at FVTOCI	-	-	-	-	(2,380,667)	(2,380,667)
Currency translation differences	-	-	-	46,673	-	46,673
Bonus shares issued	-	-	470,963	-	-	470,963
Sale of treasury shares	-	-	204,562	-	-	204,562
Balances at 30 September 2019 (unaudited)	15,785,487	3,629,332	2,973,680	189,292	(2,436,984)	20,140,807
Balances at 1 January 2018	15,078,144	2,921,989	2,298,155	127,044	6,050,732	26,476,064
Adjustments arising on adoption of IFRS 9	-	-	-	-	871,831	871,831
Balances at 1 January 2018 (restated)	15,078,144	2,921,989	2,298,155	127,044	6,922,563	27,347,895
Realised loss on disposal of financial assets at FVTOCI	-	-	-	-	148,152	148,152
<i>Other comprehensive income/(loss):</i>						
Net change in fair value of financial assets at FVTOCI	-	-	-	-	(4,539,927)	(4,539,927)
Currency translation differences	-	-	-	69,325	-	69,325
Balances at 30 September 2018 (Unaudited)	15,078,144	2,921,989	2,298,155	196,369	2,530,788	23,025,445

Notes to the interim condensed consolidated financial information (continued)

16 Borrowings

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Murabaha payable (i)	132,895,133	110,212,864	104,347,020
Tawaroq payable (ii)	1,507,612	2,261,419	2,512,688
Term loans (iii)	5,590,318	5,989,993	5,946,985
Total	139,993,063	118,464,276	112,806,693
Borrowings in KD	134,402,745	112,474,283	106,859,708
Borrowings in AED, USD and LBP	5,590,318	5,989,993	5,946,985
Total	139,993,063	118,464,276	112,806,693

The borrowings due for repayment as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Within one year	2,036,908	6,892,877	2,696,113
Over one year	137,956,155	111,571,399	110,110,580
	139,993,063	118,464,276	112,806,693

- i) Murabaha payable represents Islamic financing obtained in Kuwaiti Dinar from local and foreign Islamic banks, carry an annual profit rate of 1% - 1.25% over CBK discount rate and repayable in different unequal instalments ending on 1 July 2029. Murabaha payable are secured by certain investment properties.
- ii) Tawarruq payable represents Islamic financing obtained in Kuwaiti Dinar from a local Islamic financial institution, carry an annual profit rate of 2.5% over CBK discount rate and repayable in four quarterly equal instalments starting on 1 May 2018 and ending on 1 February 2021.
- iii) Term loans are obtained in USD, AED and Lebanese Pound from foreign banks. The USD loans carry an annual interest rate of 0.5% over USD Beirut Reference Rate ("BRR") with a minimum of 6.5%, the loans in Lebanese Pound carry an annual interest rate of 0.5% over LBP Beirut Reference Rate ("BRR") and the loans in AED carry an annual interest rate of 3.5% over EIBOR.

Borrowings are secured by pledged investment properties, financial assets at FVTOCI.

Notes to the interim condensed consolidated financial information (continued)

17 Lease liabilities

Lease liabilities presented in the interim condensed consolidated statement of financial position consist of the following:

	30 September 2019 (Unaudited)		
	Current KD	Non- current KD	Total KD
Discounted future payments	6,930,083	29,563,403	36,493,486
Accrued finance costs	570,882	-	570,882
	7,500,965	29,563,403	37,064,368

The Group has leases for the properties under the BOT contracts signed with the Ministry of Finance - State Properties department. Future minimum lease payments at 30 September 2019 were as follows:

	Minimum lease payments due		Total
	One year KD	1 - 5 Years KD	KD
30 September 2019:			
Lease payments	8,232,000	32,928,000	41,160,000
Finance charges	(1,301,917)	(3,364,597)	(4,666,514)
Net present values	6,930,083	29,563,403	36,493,486

18 Related party transactions

Related parties represent associates, directors and key management personnel of the Group, 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.

Details of significant related party transactions and balances are as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Interim condensed consolidated statement of financial position:			
Due from related parties	8,231,800	2,019,328	9,749,294
Due to related parties	654,105	696,671	730,249
Advance payments for purchase of investments	10,460,392	8,837,524	-
Purchase of investment properties	-	5,540,280	-

Financial assets at fair value through other comprehensive income amounting to KD278,958 (KD523,678 in 31 December 2018 and KD385,314 in 30 September 2018) are managed by a related party.

Notes to the interim condensed consolidated financial information (continued)

18 Related party transactions (continued)

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2019	30 Sept. 2018	30 Sept. 2019	30 Sept. 2018
	KD	KD	KD	KD
Interim condensed consolidated statement of profit or loss:				
Real estate rental income	67,988	-	1,573,795	-
Real estate operating expenses	116,085	108,857	363,451	323,256
General and administrative expenses	123,480	57,500	384,951	172,500
Key management compensation:				
Salaries and short-term benefits	78,459	35,770	221,279	107,308
Employees' end of service benefit	1,375	6,500	4,125	19,500

19 Segmental analysis

The Group operates in real estate and investment segments. The segmental analysis of the total income and net profit for the business segments are as follows:

	Real estate KD	Investment KD	Not allocated KD	Total KD
Nine months ended 30 September 2019:				
Total income	10,574,556	4,473,593	650,390	15,698,539
Profit for the period	4,602,150	4,437,593	(1,999,376)	7,040,367
As of 30 September 2019:				
Total assets	239,465,261	77,017,338	17,135,154	333,617,753
Total liabilities	180,643,139	14,169,346	1,591,439	196,403,924
Net assets	58,822,122	62,847,992	15,543,715	137,213,829
Nine months ended 30 September 2018:				
Total income	7,509,138	1,065,478	1,740,446	10,315,062
Profit for the period	3,606,112	1,065,478	351,197	5,022,787
As of 30 September 2018:				
Total assets	186,293,830	63,296,819	20,226,046	269,816,695
Total liabilities	121,084,776	14,176,788	1,527,490	136,789,054
Net assets	65,209,054	49,120,031	18,698,556	133,027,641

20 Annual general assembly

The Annual General Assembly of the shareholders of the Parent Company held on 1 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 and the board of directors proposal to distribute 5% bonus shares for the shareholders of the Parent Company by distributing 5 treasury shares for each 100 shares held without an increase in share capital. Furthermore, the General Assembly approved the board of directors' proposal to distribute directors' remuneration of KD40,000 for the year then ended.

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement

21.1 Fair value hierarchy

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.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

The carrying amounts of the Group's financial assets and liabilities as stated in the interim condensed consolidated statement of financial position are as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Financial assets:			
<i>At amortised cost:</i>			
Due from related parties	8,231,800	2,019,328	9,749,924
Accounts receivable and other assets	4,359,636	3,201,870	3,328,666
Cash and cash equivalents	4,316,665	2,961,865	4,825,053
<i>At fair value:</i>			
Financial assets at fair value through profit or loss	26,261,642	24,374,499	28,238,458
Financial assets at FVTOCI	33,146,444	31,963,886	31,831,457
	76,316,187	64,521,448	77,973,558
Financial liabilities:			
<i>At amortised cost</i>			
Borrowings	139,993,063	118,464,276	112,806,693
Lease liabilities	37,064,368	-	-
Lease contracts liabilities	-	3,207,996	3,670,288
Provision for employees' end of service benefits	1,008,683	785,897	797,241
Due to related parties	654,105	696,671	730,249
Accounts payable and other liabilities	13,273,581	9,838,177	14,176,788
Due to bank	4,410,124	4,399,393	4,607,795
	196,403,924	137,392,410	136,789,054

Management considers that the carrying amounts of financial assets and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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 interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.1 Fair value hierarchy (continued)

The financial assets and liabilities measured at fair value on a recurring basis in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
30 September 2019 (Unaudited)				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	118,064	-	-	118,064
Local unquoted securities	-	-	370,246	370,246
Foreign quoted securities	2,548	-	-	2,548
Foreign unquoted securities	-	-	18,592,259	18,592,259
Debts instrument	-	-	7,119,613	7,119,613
Managed funds	-	58,912	-	58,912
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	5,926,050	-	-	5,926,050
Local unquoted securities	-	-	11,760,743	11,760,743
Foreign unquoted securities	-	-	13,890,226	13,890,226
Debt instruments	-	-	1,569,425	1,569,425
	6,046,662	58,912	53,302,512	59,408,086
31 December 2018 (Audited)				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	14,186	-	-	14,186
Local unquoted securities	-	-	370,246	370,246
Foreign quoted securities	3,224	-	-	3,224
Foreign unquoted securities	-	-	16,910,049	16,910,049
Debt instruments	-	-	7,017,894	7,017,894
Managed funds	-	58,900	-	58,900
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	9,156,652	-	-	9,156,652
Local unquoted securities	-	-	13,395,347	13,395,347
Foreign unquoted securities	-	-	7,847,625	7,847,625
Debt instruments	-	-	1,564,255	1,564,255
	9,174,062	58,900	47,105,416	56,338,378
30 September 2018 (Unaudited)				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	13,552	-	-	13,552
Local unquoted securities	-	-	431,252	431,252
Foreign quoted securities	3,697	-	-	3,697
Foreign unquoted securities	-	-	27,731,058	27,731,058
Managed funds	-	58,900	-	58,900
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	8,860,736	-	-	8,860,736
Local unquoted securities	-	-	12,033,236	12,033,236
Foreign unquoted securities	-	-	4,077,985	4,077,985
Debt instruments	-	-	6,859,500	6,859,500
	8,877,985	58,900	51,133,031	60,069,916

Notes to the interim condensed consolidated financial information (continued)

21 Fair value measurement (continued)

21.1 Fair value hierarchy (continued)

There have been no transfers between levels during the reporting period.

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 data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Opening balance	47,105,416	32,198,941	32,198,941
Additions	5,668,679	17,624,524	18,220,677
Sales	-	(486,528)	(650,611)
Change in fair value	528,416	(2,231,521)	1,364,024
Closing balance	53,302,511	47,105,416	51,133,031

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

22 Contingent liabilities

Contingent liabilities and capital commitments at the interim condensed consolidated financial position date are as follows:

	30 Sept. 2019 (Unaudited) KD	31 Dec. 2018 (Audited) KD	30 Sept. 2018 (Unaudited) KD
Issued letters of guarantee	10,773,828	4,084,374	4,084,374
Capital commitments	15,913,432	24,362,476	737,218
	26,687,260	28,446,850	4,821,592

Capital commitments represent developing costs for properties under development (note 10).

Lease commitments arising on the agreements signed for with the Ministry of Finance – State Properties Department for maintain, develop and operate certain properties owned by the government. However, as a result of adoption of IFRS 16 starting from 1 January 2019, commitments from those contracts have been recognised on interim condensed consolidated statement of financial position (Note 17).

Notes to the interim condensed consolidated financial information (continued)

23 Operating leases

Operating leases, in which the Group is the lessor, relate to investment properties owned or leased by the Group as well as held under head-lease arrangements. The terms of operating leases range between 1-5 years with one year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the end of lease term.

24 Comparative amounts

Certain other comparative amounts have been reclassified to conform to the presentation in the current period, and such reclassification does not affect previously reported net assets, net equity and net results for the year.