Interim condensed consolidated financial information and review report

Kuwait Real Estate Company – KPSC and Subsidiaries

Kuwait

30 September 2020 (Unaudited)

Contents

Grant Thornton
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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 2020 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 2020 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our review, we have not become aware of any material violations of the provision of law No. 7 of 2010 concerning the Capital Market Authority and its related regulations during the nine-month period ended 30 September 2020 that might have had a material effect on the business or financial position of the Parent Company.

Hend Abdullah Al Surayea
(Licence No. 141-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
9 November 2020

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 30 Sept. 2020 (Unaudited) KD	Three months ended 30 Sept. 2019 (Unaudited) KD	Nine months ended 30 Sept. 2020 (Unaudited) KD	Nine months ended 30 Sept. 2019 (Unaudited) KD
Income					
Real estate rental income		5,193,701	5,838,376	15,162,746	17,806,962
Real estate operating expenses		(335,870)	(725,954)	(1,659,773)	(2,138,193)
Net rental income		4,857,831	5,112,422	13,502,973	15,668,769
Change in fair value of investment properties	8	(1,759,195)	(1,686,072)	(5,277,585)	(5,058,214)
Change in fair value of financial assets at FVTPL		(43,294)	375,425	(44,586)	453,844
Gain on sale of financial assets at FVTPL		44,962	-	282,827	-
Share of results of associates		19,151	(21,514)	(47,875)	140,968
Dividend income		190,623	31,155	258,870	263,744
Gain on disposal of a subsidiaries	5	-	-	346,401	-
Gain on bargain purchase of subsidiary		-	-	-	3,579,018
Other income		131,838	220,360	423,616	650,390
		3,441,916	4,031,776	9,444,641	15,698,539
Expenses and other charges					
General and administrative expenses		(398,137)	(473,736)	(1,267,886)	(1,317,558)
Finance costs	6	(1,363,085)	(2,061,652)	(4,393,201)	(6,008,406)
Provision for doubtful debts		(645,000)	-	(645,000)	(400,000)
Provision for tax claims of foreign subsidiary		-	-	-	(608,000)
		(2,406,222)	(2,535,388)	(6,306,087)	(8,333,964)
Profit for the period before provisions for Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		1,035,694	1,496,388	3,138,554	7,364,575
Provision for KFAS		-	(6,308)	-	(31,731)
Provision for NLST		(26,383)	(41,711)	(78,098)	(198,482)
Provision for Zakat		(14,571)	(21,541)	(38,056)	(93,995)
Profit for the period		994,740	1,426,830	3,022,400	7,040,367
Attributable to:					
Owners of the Parent Company		1,018,428	1,346,093	3,014,572	6,772,858
Non-controlling interest		(23,688)	80,737	7,828	267,509
Profit for the period		994,740	1,426,830	3,022,400	7,040,367
Basic and diluted earnings per share attributable to owners of the Parent Company (Fils)	7	1.15	1.55	3.46	7.83

The notes set out on pages 9 to 25 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. 2020 (Unaudited) KD	30 Sept 2019 (Unaudited) KD	30 Sept. 2020 (Unaudited) KD	30 Sept. 2019 (Unaudited) KD
Profit for the period	**994,740**	1,426,830	**3,022,400**	7,040,367
Other comprehensive (loss)/income:				
Items that will not be reclassified subsequently to interim condensed consolidated statement of profit or loss				
Financial assets at fair value through other comprehensive income:				
- Net change in fair value arising during the period	(576,635)	27,502	(1,972,443)	(2,380,667)
Items that will be reclassified subsequently to interim condensed consolidated statement of profit or loss				
Exchange differences arising on translation of foreign operations	(148,091)	60,520	(344,704)	46,673
Transfer to consolidated statement of profit or loss on partial disposal of subsidiaries	-	-	(152,160)	-
Total other comprehensive (loss)/income	(724,726)	88,022	(2,469,307)	(2,333,994)
Total comprehensive income for the period	**270,014**	1,514,852	**553,093**	4,706,373
Attributable to:				
Owners of the Parent Company	**293,702**	1,434,115	**545,265**	4,438,864
Non-controlling interests	**(23,688)**	80,737	**7,828**	267,509
Total comprehensive income for the period	**270,014**	1,514,852	**553,093**	4,706,373

Interim condensed consolidated statement of financial position

	Notes	30 Sept. 2020 (Unaudited) KD	31 Dec 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Assets				
Non-current assets				
Property and equipment		**204,798**	207,386	227,053
Investment properties	8	**218,678,764**	223,906,226	219,811,702
Properties under development		**9,717,721**	7,450,699	7,450,699
Capital work in progress		**1,455,211**	519,126	2,914,220
Financial assets at FVTOCI	9	**36,155,312**	27,175,068	33,146,444
Investment in associates	10	**8,481,078**	7,967,807	7,148,860
Due from related parties	19	**359,469**	359,469	359,469
Total non-current assets		**275,052,353**	267,585,781	271,058,447
Current assets				
Trading properties		**8,795,050**	8,624,272	9,288,640
Due from related parties	19	**11,990,620**	6,593,998	7,872,331
Accounts receivable and other assets		**6,589,844**	3,972,076	4,359,636
Advance payments for purchase of investments	11	**15,973,636**	11,347,662	10,460,392
Financial assets at fair value through profit or loss	12	**7,113,629**	25,501,033	26,261,642
Cash and cash equivalents	13	**2,538,894**	3,298,312	4,316,665
Total current assets		**53,001,673**	59,337,353	62,559,306
Total Assets		**328,054,026**	326,923,134	333,617,753
Equity and Liabilities				
Equity				
Share capital	14	**94,736,506**	94,736,506	94,736,506
Share premium		**3,425,191**	3,425,191	3,425,191
Treasury shares	15	**(5,217,620)**	(6,262,577)	(5,820,051)
Other components of equity	16	**13,010,007**	15,559,006	20,140,807
Retained earnings		**20,265,137**	20,476,781	21,564,698
Equity attributable to owners of the Parent Company		**126,219,221**	127,934,907	134,047,151
Non-controlling interests		**3,081,723**	3,073,895	3,166,678
Total equity		**129,300,944**	131,008,802	137,213,829
Liabilities				
Non-current liabilities				
Borrowings	17	**137,342,761**	133,361,217	137,956,155
Lease liabilities	18	**26,551,517**	30,295,091	30,348,192
Provision for employees' end of service benefits		**965,911**	972,051	1,008,683
Total non-current liabilities		**164,860,189**	164,628,359	169,313,030
Current liabilities				
Due to related parties	19	**1,646,352**	1,010,928	654,105
Borrowings	17	**7,427,829**	5,768,622	2,036,908
Lease liabilities	18	**7,266,811**	7,379,033	7,011,486
Accounts payable and other liabilities		**13,369,363**	12,783,597	12,978,271
Due to bank		**4,182,538**	4,343,793	4,410,124
Total current liabilities		**33,892,893**	31,285,973	27,090,894
Total Liabilities		**198,753,082**	195,914,332	196,403,924
Total Equity and Liabilities		**328,054,026**	326,923,134	333,617,753

Talal Jassim Al-Bahar
Vice Chairman and Chief Executive Officer

The notes set out on pages 9 to 25 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 16) KD	Retained earnings KD	Sub total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2020	94,736,506	3,425,191	(6,262,577)	15,559,006	20,476,781	127,934,907	3,073,895	131,008,802
Purchase of treasury shares	-	-	(2,563,251)	-	-	(2,563,251)	-	(2,563,251)
Sale of treasury shares	-	-	271,778	30,522	-	302,300	-	302,300
Bonus shares distribution (note 21)	-	-	3,336,430	131,485	(3,467,915)	-	-	-
Total transactions with the owners	-	-	1,044,957	162,007	(3,467,915)	(2,260,951)	-	(2,260,951)
Profit for the period	-	-	-	-	3,014,572	3,014,572	7,828	3,022,400
Other comprehensive loss for the period	-	-	-	(2,469,307)	-	(2,469,307)	-	(2,469,307)
Total comprehensive (loss)/income for the period	-	-	-	(2,469,307)	3,014,572	545,265	7,828	553,093
Realised gain on disposal of financial assets at FVTOCI	-	-	-	(241,699)	241,699	-	-	-
Balance at 30 September 2020 (unaudited)	94,736,506	3,425,191	(5,217,620)	13,010,007	20,265,137	126,219,221	3,081,723	129,300,944

The notes set out on pages 9 to 25 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 16) 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	-	-	-	-	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	-	-	2,692,340	470,963	(3,163,303)	-	-	-
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	2,899,169	2,899,169
Shares issued to acquire a subsidiary	4,065,212	-	-	-	(1,634,209)	2,431,003	-	2,431,003
Transactions with the owners	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 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Nine months ended 30 Sept. 2020 (Unaudited) KD	Nine months ended 30 Sept. 2019 (Unaudited) KD
OPERATING ACTIVITIES		
Profit for the period	3,022,400	7,040,367
Adjustments:		
Depreciation	10,120	21,972
Finance costs	4,393,201	6,008,406
Change in fair value of investments at FVTPL	44,586	(453,844)
Gain on sale of financial assets at FVTPL	(282,827)	-
Share of results of associates	47,875	(140,938)
Dividend income	(258,870)	(263,744)
Gain on disposal of a subsidiary	(346,401)	-
Gain on barging purchase of subsidiary	-	(3,579,018)
Change in fair value of investment properties	5,277,585	5,058,214
Provision for employees' end of service benefits	73,149	55,937
Provision for doubtful debts	645,000	400,000
Provision for tax claims of foreign subsidiary	-	608,000
	12,625,818	14,755,302
Changes in operating assets and liabilities:		
Due from related parties	(5,396,622)	(6,212,472)
Accounts receivable and other assets	(3,272,768)	437,876
Advance payments to purchase investments	(4,615,974)	3,577,132
Due to related parties	635,424	(42,566)
Accounts payable and other liabilities	(332,443)	(1,000,873)
Employees' end of service benefits paid	(79,290)	(4,563)
Net cash (used in)/from operating activities	(435,855)	11,509,836
INVESTING ACTIVITIES		
Purchase of property and equipment	(7,531)	(11,146)
Additions to properties under development	(2,267,022)	(7,450,699)
Additions to capital work in progress	(936,085)	(2,692,353)
Purchase of investments at fair value through other comprehensive income	(1,955,170)	(4,182,981)
Purchase of investments at FVTPL	(94,006)	(1,248,218)
Purchase of trading properties	-	(30,555)
Purchase of investment properties	(50,123)	(432,745)
Addition in associates	-	(1,157,821)
Proceeds from sale of investments at FVTPL	1,449,707	-
Proceeds from sale of investments at FVTOCI	1,241,365	515,467
Dividends received from associates	165,545	125,181
Dividends income received	258,870	263,744
Bank balances arising on acquisition of a subsidiary	-	3,046,106
Term deposits with maturity exceeding three months	-	(433,056)
Proceeds from disposal of subsidiary	2,550,000	-
Net cash from/(used in) investing activities	355,550	(13,689,076)

The notes set out on pages 8 to 25 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows

	Note	Nine months ended 30 Sept. 2020 (Unaudited) KD	Nine months ended 30 Sept. 2019 (Unaudited) KD
FINANCING ACTIVITIES			
Net change in borrowings		5,640,750	21,528,787
Finance costs paid		(2,040,817)	(4,959,371)
Lease liabilities paid		(4,812,000)	(8,232,000)
Increase in restricted cash		(5,717)	-
Increase in term deposits		(8,647)	-
Net movement in treasury shares		1,044,957	(4,876,357)
Net cash (used in)/from financing activities		(181,474)	3,461,059
Foreign currency adjustments		(350,748)	(97,940)
Net (decrease)/ increase in cash and cash equivalents		(261,779)	1,281,819
Cash and cash equivalents at the beginning of the period	13	(2,777,200)	(1,847,972)
Cash and cash equivalents at the end of the period	13	(3,389,727)	(664,093)
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
Financial assets at FVTPL		14,599,870	-
Investment in associate		(4,423,135)	-
Financial assets at FVTOCI		(10,176,735)	-

The notes set out on pages 8 to 25 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 2020 was authorised for issue by the Parent Company's board of directors on 9 November 2020.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting polices 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 2019, 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 2019.

Operating results for the nine-month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For further details, refer to the consolidated financial statements and its related disclosures for the year ended 31 December 2019.

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 2020 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)

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 3 – Amendments	1 January 2020
IAS 1 and IAS 8 – Amendments	1 January 2020

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

The application of the amendments did not have a significant impact on the Group's interim consolidated financial information.

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'.

The application of the amendments did not have a significant impact on the Group's interim consolidated financial information.

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.

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)

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
IAS 1 Amendments	1 January 2023

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.

IAS 1 Amendments

The amendments provide for consistent application of the requirements with respect to determining whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (i.e. due to be settled within one year) or non-current.

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 2019.

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries

Name of subsidiary	Country of incorporation	Ownership Percentage			Principle activity
		30 Sept. 2020	31 Dec. 2019	30 Sept. 2019	
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%	99.99%	Real estate
Financial Group of Kuwait Co. – KSC (Holding)	Kuwait	99.99%	99.99%	99.99%	Investment
KREC Debt Company Limited (a)	Cayman Islands	-	100%	100%	Investment
KREC Equity Company Limited (a)	Cayman Islands	-	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
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%	99%	99%	Real estate
Al Durrar General Investment – LLC	UAE	99%	99%	99%	Real estate
Delano Investments – FZE	UAE	100%	100%	100%	Investment
Delano Managing office – FZE	UAE	100%	100%	100%	Service
International Resorts Co. - KPSC	Kuwait	68.69%	68.69%	68.69%	Real estate

(a) During the period, the Parent Company disposed of 72.64% of its ownership in KREC Debt Company Limited and KREC Equity Company Limited to a related parties and third parties for a total consideration of KD2,550,000 which resulted in a gain of KD346,401. Consequently, the Group lost control over these subsidiaries. However, the Group is able to exercise significant influence over the operations of these entities. Hence, these investments have been classified as investments in associates.

At the date of disposal, the carrying amounts of subsidiaries' net assets were as follows:

	KREC Debt Company Limited KD	KREC Equity Company Limited KD	Total KD
Total assets	2,090,120	1,046,259	3,136,379
Total liabilities	-	(102,635)	(102,635)
Net assets at the date of disposal	2,090,120	943,624	3,033,744
Share of net assets disposed	1,518,201	685,398	2,203,599
Sale consideration	1,756,841	793,159	2,550,000
Gain on disposal of subsidiaries	238,640	107,761	346,401

Notes to the interim condensed consolidated financial information (continued)

5 Subsidiaries (continued)

This interim condensed consolidated financial information does not include any results of those disposed subsidiaries, while a profit of KD95,234 was recognised for the nine months period ended 30 September 2019 which is not considered material for the Group. Hence, the disclosures required under IFRS 5 have not been made in this interim condensed consolidated financial information.

6 Finance costs

	Nine months ended 30 Sept. 2020 (Unaudited) KD	Nine months ended 30 Sept. 2019 (Unaudited) KD
On financial liabilities at amortised cost:		
Due to bank	108,236	133,389
Borrowings	3,328,761	4,755,291
Lease liabilities	956,204	1,119,726
	4,393,201	6,008,406

7 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. 2020	30 Sept. 2019	30 Sept. 2020	30 Sept. 2019
Profit for the period attributable to the Parent Company (KD)	1,018,428	1,346,093	3,014,572	6,772,858
Weighted average number of shares outstanding during the period (excluding treasury shares) (share)	888,713,813	870,134,700	870,240,134	859,548,958
Basic and diluted earnings per share (Fils)	1.15	1.55	3.46	7.88

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

Notes to the interim condensed consolidated financial information (continued)

8 Investment properties

	30 Sept. 2020 (Unaudited) KD	31 Dec 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Owned properties			
Balance at the beginning of the period/year	185,128,561	174,739,425	174,739,425
Additions during the period/year	50,123	2,740,795	416,436
Transferred from capital work in progress	-	2,996,648	-
Arising on acquisition of subsidiary	-	4,192,103	4,192,103
Change in fair value	-	459,590	-
Balance at the end of the period/year	185,178,684	185,128,561	179,347,964
Leased properties			
Balance at the beginning of the period/year	38,777,665	-	-
Arising on adoption of IFRS 16	-	26,944,198	26,944,198
Arising on acquisition of a subsidiary	-	18,577,754	18,577,754
Change in fair value for the period/year	(5,277,585)	(6,744,287)	(5,058,214)
Balance at the end of the period/year	33,500,080	38,777,665	40,463,738
Balance at the end of the period/year	218,678,764	223,906,226	219,811,702

The Group's investment properties are located as follows:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Kuwait	193,443,692	198,671,154	193,494,076
Other GCC and other countries	25,235,072	25,235,072	26,317,626
	218,678,764	223,906,226	219,811,702

Investment properties with carrying value of KD158,624,538 (KD158,624,538 as of 31 December 2019 and KD158,624,538 as of 30 September 2019) are pledged against borrowings and balance due to bank (Notes 17 and 13).

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

9 Financial assets at fair value through other comprehensive income

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Local quoted securities	5,629,113	6,453,699	5,926,050
Local unquoted securities	10,296,729	12,244,933	11,760,743
Foreign unquoted securities	13,233,383	6,912,181	13,890,226
Debt instruments	6,996,087	1,564,255	1,569,425
	36,155,312	27,175,068	33,146,444

The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in note 22.1.

Notes to the interim condensed consolidated financial information (continued)

10 Investment in associates

Following is the movement for the investment in associates during the year:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Balance at the beginning of the period/year	7,967,807	5,919,095	5,919,095
Arising on loss of control of subsidiaries (note 5)	579,562	-	-
Arising on reclassification (see below)	14,599,871	-	-
Arising on acquisition of subsidiary	-	56,138	56,138
Additions in associates	412,532	1,543,967	1,157,820
Share of results	(47,875)	573,788	140,988
Disposals (see below)	(14,865,274)	-	-
Dividend received	(165,545)	(125,181)	(125,181)
Balance at the end of the period/year	8,481,078	7,967,807	7,148,860

During period ended 31 March 2020, the Group had reclassified its investment amounting to KD14,599,871 representing 28.54% ownership interest in Yotel New York Co. located in the USA, from financial assets at FVTPL to investment in associate. The Group classified this investment as investment in associate because it was able to exercise significant influence over the operations of associate.

Subsequently, during the period ended 30 June 2020, the Group entered into agreements with related parties to dispose of 9% of its ownership with aggregate carrying value of KD4,688,539 which did not result in any gain or loss. As a result, the remaining interest in the investee of 19.54% with a carrying value of KD10,176,735 has been reclassified to financial assets at fair value through other comprehensive income as the Group is no longer able to exercise significant influence.

11 Advance payments for purchase of investments

These represent the following:

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 AED595 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 KD15,963,636 (31 December 2019: KD11,337,662 and 30 September 2019: KD10,460,392) paid up to the reporting date has been accounted for as an advance payment.

11.2 During 2019, the Group entered into an initial agreement with third party to acquire local properties for a total consideration of KD4,170,000. As per the agreement, the Group shall pay an advance payment of KD10,000 at the date of signing the agreement, and the remaining balance of KD4,160,000 to be paid subsequent to the date of signing the agreement. However, in accordance with the agreement the return on these properties and the management of these properties will remain with the seller until the remaining balance has been settled. Accordingly, the amount of KD10,000 paid up to the reporting date has been accounted for as an advance payment. Subsequent to the reporting date, the initial agreement has been amended in respect of the properties to be acquired and the total consideration has been revised to KD2,500,000 with no any other significant amendment to the remaining terms and conditions.

Notes to the interim condensed consolidated financial information (continued)

12 Financial assets at fair value through profit or loss

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Local quoted securities	91,189	132,082	118,064
Local unquoted securities	340,430	340,430	370,246
Foreign quoted securities	1,131	2,738	2,548
Foreign unquoted securities	6,621,979	17,823,868	18,592,259
Debt instruments	-	7,142,965	7,119,613
Managed funds	58,900	58,900	58,912
	7,113,629	25,501,033	26,261,642

The hierarchy for determining and disclosing the fair values of financial assets at fair value through other comprehensive income is presented in note 22.1.

13 Cash and cash equivalents

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Cash and bank balances	953,324	1,582,263	3,605,415
Cash in investment portfolios managed by others	133,868	272,994	278,194
Term deposits	1,451,702	1,443,055	433,056
Cash and cash equivalents	2,538,894	3,298,312	4,316,665
Less:			
Due to bank (13.1)	(4,182,538)	(4,343,793)	(4,410,124)
Restricted bank balances (13.2)	(294,381)	(288,664)	(137,578)
Term deposits with maturity exceeding three months	(1,451,702)	(1,443,055)	(433,056)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	(3,389,727)	(2,777,200)	(664,093)

13.1 This represents outstanding balance of the credit facilities granted to the Group by a local Islamic bank in the form of overdraft facilities. The facilities carry an annual profit rate of 1% (31 December 2019: 1% and 30 September 2019: 1%) above the Central Bank of Kuwait discount rate.

The due to bank balance is secured by mortgage of certain investment properties (note 8).

13.2 Restricted bank balances represent balances deposited in a bank located in Lebanon denominated in US Dollar and restricted to cover any unpaid principal and interest relating to the term loans granted to the subsidiary in Lebanon (note 17). However, due to the current political and economic events, the Central Bank of Lebanon imposed a series of measures including restrictions on withdrawals and limitation of transfers of money abroad. Consequently, the Group lacks access to these bank balances on time and in full.

14 Share capital

At 30 September 2020, the authorized, issued and fully paid up share capital of the Parent Company comprised of 947,365,059 shares of 100 fils each (947,365,059 shares as at 31 December 2019 and 30 September 2019). All shares are cash shares.

Notes to the interim condensed consolidated financial information (continued)

15 Treasury shares

	30 Sept. 2020 (Unaudited)	31 Dec. 2019 (Audited)	30 Sept. 2019 (Unaudited)
Number of treasury shares	64,832,783	83,305,381	81,610,506
Percentage of ownership	6.84%	8.79%	8.61%
Market value (KD)	6,003,516	8,663,760	6,463,552
Cost (KD)	5,217,620	6,262,577	5,620,051

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

16 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 2020	16,527,026	4,370,871	3,110,821	232,073	(8,681,785)	15,559,006
Realised gain on disposal of financial assets at FVTOCI	-	-	-	-	(241,699)	(241,699)
Other comprehensive income:						
Net change in fair value of financial assets at FVTOCI	-	-	-	-	(1,972,443)	(1,972,443)
Currency translation differences	-	-	-	(344,704)	-	(344,704)
Bonus shares distribution (note 21)	-	-	131,485	-	-	131,485
Transfer to consolidated statement of profit or loss on partial disposal of subsidiaries	-	-	-	(152,160)	-	(152,160)
Sale of treasury shares	-	-	30,522	-	-	30,522
Balances at 30 September 2020 (unaudited)	16,527,026	4,370,871	3,272,828	(264,791)	(10,895,927)	13,010,007
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
Other comprehensive income:						
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 distribution	-	-	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

Notes to the interim condensed consolidated financial information (continued)

17 Borrowings

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Murabaha payable (i)	138,325,629	132,477,190	132,895,133
Tawarruq payable (ii)	1,005,076	1,256,344	1,507,612
Term loans (iii)	5,439,885	5,396,305	5,590,318
Total	144,770,590	139,129,839	139,993,063

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Borrowings in KD	139,330,705	133,733,534	134,402,745
Borrowings in AED, USD and LBP	5,439,885	5,396,305	5,590,318
Total	144,770,590	139,129,839	139,993,063

The borrowings are due for repayment as follows:

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Within one year	7,427,829	5,768,622	2,036,908
Over one year	137,342,761	133,361,217	137,956,155
	144,770,590	139,129,839	139,993,063

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 2019 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 with a minimum of 6.5%, the loans in Lebanese Pound carry an annual interest rate of 0.5% over LBP Beirut Reference Rate and the loans in AED carry an annual interest rate of 3.5% over EIBOR. Term loans are secured by pledge of certain investment properties, properties held for trading and the Group's shares in certain subsidiaries.

Notes to the interim condensed consolidated financial information (continued)

18 Lease liabilities

The Group has leases for the properties under the BOT contracts signed with the Ministry of Finance - State Properties department. Following is the movement for the lease liabilities during the period:

	Period ended 30 Sept. 2020 KD	Year ended 31 Dec. 2019 KD	Period ended 30 Sept. 2019 KD
Balance at the beginning of the period/year	37,674,124	-	-
Effect of adoption of IFRS 16	-	26,144,198	26,144,198
Arising on acquisition of subsidiary	-	18,327,754	18,327,754
Finance costs charged for the period/year (note 6)	956,204	1,434,172	1,119,726
Settled during the period/year	(4,812,000)	(8,232,000)	(8,232,000)
Balance at the end of the period/year	**33,818,328**	37,674,124	37,359,678

Future minimum lease payments are as follows:

	Minimum lease payments due		Total
	One Year KD	1 - 5 Years KD	KD
30 September 2020:			
Lease payments	8,232,000	28,116,000	36,348,000
Finance charges	(965,189)	(1,564,483)	(2,529,672)
Net present values	7,266,811	26,551,517	33,818,328

	Minimum lease payments due		Total
	One Year KD	1 - 5 Years KD	KD
31 December 2019:			
Lease payments	8,232,000	32,928,000	41,160,000
Finance charges	(852,967)	(2,632,909)	(3,485,876)
Net present values	7,379,033	30,295,091	37,674,124

	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	(1,220,514)	(2,579,808)	(3,800,322)
Net present values	7,011,486	30,348,192	37,359,678

19 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.

Notes to the interim condensed consolidated financial information (continued)

19 Related party transactions (continued)

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

	30 Sept. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Balances included in interim condensed consolidated statement of financial position:			
Due from related parties	12,350,089	6,953,467	8,231,800
Due to related parties	1,646,352	1,010,928	654,105
Advance payments for purchase of investments	15,963,636	11,337,662	10,460,392

Financial assets at fair value through other comprehensive income amounting to KD247,051 (KD433,799 in 31 December 2019 and KD278,958 in 30 September 2019) are managed by a related party.

	Three months ended (Unaudited)		Nine months ended (Unaudited)	
	30 Sept. 2020 KD	30 Sept. 2019 KD	30 Sept. 2020 KD	30 Sept. 2019 KD
Transaction included in interim condensed consolidated statement of profit or loss:				
Real estate rental income	316,029	67,988	1,541,432	1,573,795
Real estate operating expenses	98,246	116,085	392,424	363,451
General and administrative expenses	128,492	123,450	351,226	384,951
Realised gain from disposal of financial assets at FVTPL	-	-	159,063	-
Gain on disposal of subsidiaries	-	-	271,687	-
Key management compensation:				
Salaries and short-term benefits	71,410	73,459	214,230	221,279
Employees' end of service benefits	1,375	1,375	4,125	4,125

20 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 2020:				
Total income	8,665,794	449,236	329,611	9,444,641
Profit/(loss) for the period	4,047,593	449,236	(1,474,429)	3,022,400
As of 30 September 2020:				
Total assets	240,704,745	67,713,658	19,635,623	328,054,026
Total liabilities	180,381,081	15,759,739	2,612,262	198,753,082
Net assets	60,323,664	51,953,919	17,023,361	129,300,944
Nine months ended 30 September 2019:				
Total income	10,574,556	4,473,593	650,390	15,698,539
Profit/(loss) 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

Notes to the interim condensed consolidated financial information (continued)

21 Annual general assembly

The Annual General Assembly of the shareholders of the Parent Company held on 3 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 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.

22 Fair value measurement

22.1 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. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Financial assets:			
At amortised cost:			
Due from related parties	**12,350,089**	6,953,467	8,231,800
Accounts receivable and other assets	**6,589,844**	3,797,539	4,359,636
Cash and cash equivalents	**2,538,894**	3,298,312	4,316,665
At fair value:			
Financial assets at FVTPL	**7,113,629**	25,501,033	26,261,642
Financial assets at FVTOCI	**36,155,312**	27,175,068	33,146,444
	64,747,768	66,725,419	76,316,187
Financial liabilities:			
At amortised cost			
Borrowings	**144,770,590**	139,129,839	139,903,063
Lease liabilities	**33,818,328**	37,674,124	37,359,678
Provision for employees' end of service benefits	**965,911**	972,051	1,008,683
Due to related parties	**1,646,352**	1,010,928	654,105
Accounts payable and other liabilities	**13,369,363**	12,783,597	12,978,271
Due to bank	**4,182,538**	4,343,793	4,410,124
	198,753,082	195,914,332	196,403,924

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.1 Fair value hierarchy (continued)

Management considers that the carrying amounts of loans and receivable and all financial liabilities, which are stated at amortized 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.

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 2020 (Unaudited)				
Financial assets				
Financial assets at fair value through profit or loss:				
Local quoted securities	91,189	-	-	91,189
Local unquoted securities	-	-	340,430	340,430
Foreign quoted securities	1,131	-	-	1,131
Foreign unquoted securities	-	-	6,621,979	6,621,979
Managed funds	-	58,900	-	58,900
Financial assets at fair value through other comprehensive income:				
Local quoted securities	5,629,113	-	-	5,629,113
Local unquoted securities	-	-	10,296,729	10,296,729
Foreign unquoted securities	-	-	13,233,383	13,233,383
Debt instruments	-	-	6,996,087	6,996,087
	5,721,433	58,900	37,488,608	43,268,941
31 December 2019 (Audited)				
Financial assets				
Financial assets at fair value through profit or loss:				
Local quoted securities	132,082	-	-	132,082
Local unquoted securities	-	-	340,430	340,430
Foreign quoted securities	2,788	-	-	2,788
Foreign unquoted securities	-	-	17,823,868	17,823,868
Debt instruments	-	-	7,142,965	7,142,965
Managed funds	-	58,900	-	58,900
Financial assets at fair value through other comprehensive income:				
Local quoted securities	6,453,699	-	-	6,453,699
Local unquoted securities	-	-	12,244,933	12,244,933
Foreign unquoted securities	-	-	6,912,181	6,912,181
Debt instruments	-	-	1,564,255	1,564,255
	6,588,569	58,900	46,028,632	52,676,101

Notes to the interim condensed consolidated financial information (continued)

22 Fair value measurement (continued)

22.1 Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
30 September 2019 (Unaudited)	KD	KD	KD	KD
Financial assets				
Financial assets at fair value through profit or loss:				
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
Financial assets at fair value through other comprehensive income:				
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

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

Level 3 fair value measurements

The Group's 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. 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Opening balance	**46,028,632**	47,105,416	47,105,416
Arising on acquisition of a subsidiary	**-**	32,466	-
Additions	**659,674**	5,720,829	5,668,679
Disposals / transfer	**(2,817,084)**	(142,598)	-
Net reclassifications	**(3,647,710)**	-	-
Related to disposal of subsidiaries	**(2,734,904)**	-	-
Change in fair value	**-**	(6,687,481)	528,416
Closing balance	**37,488,608**	46,028,632	53,302,511

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.

Notes to the interim condensed consolidated financial information (continued)

23 Contingent liabilities and commitments

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

	30 Sept. 2020 (Unaudited) KD	31 Dec 2019 (Audited) KD	30 Sept. 2019 (Unaudited) KD
Issued letters of guarantee	10,773,828	10,773,828	10,773,828
Capital commitments	19,536,244	16,908,826	15,913,432
	30,310,072	27,682,654	26,687,260

Capital commitments represent development costs for properties under development.

24 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.

25 Effects of COVID-19

The outbreak of Coronavirus ("COVID-19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. However, management of the Group is actively monitoring the effects COVID-19 may have on its business operations.

26 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 period.