

Interim condensed consolidated financial information and review report

Kuwait Real Estate Company – KPSC and Subsidiaries

Kuwait

31 March 2020 (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 31 March 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 three-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*

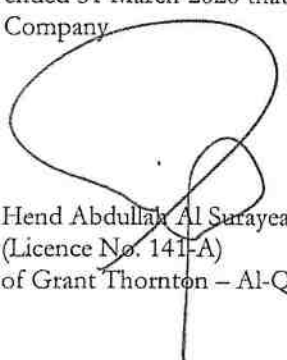
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 three-month period ended 31 March 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  
15 August 2020

## Interim condensed consolidated statement of profit or loss

	Notes	Three months ended 31 March 2020 (Unaudited) KD	Three months ended 31 March 2019 (Unaudited) KD
<b>Income</b>			
Real estate rental income		5,799,382	5,927,167
Real estate operating expenses		(475,154)	(921,339)
Net rental income		5,324,228	5,005,828
Change in fair value of investment properties	8	(1,759,195)	(1,686,071)
Change in fair value of financial assets at FVTPL		(1,387)	(47,276)
Realised gain from disposal of financial assets at FVTPL		273,863	-
Share of results of associates	9	(109,114)	-
Dividend income		63,589	49,583
Gain on disposal of subsidiaries	5	346,401	-
Gain on bargain purchase of a subsidiary		-	3,579,018
Other income		168,714	314,518
		4,307,099	7,215,600
<b>Expenses and other charges</b>			
General and administrative expenses		(544,823)	(451,503)
Finance costs	6	(1,881,370)	(1,976,031)
Provision for doubtful debts		-	(400,000)
Provision for tax claims of overseas subsidiary		-	(608,000)
		(2,426,193)	(3,435,534)
Profit for the period before provisions for Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST) and Zakat		1,880,906	3,780,066
Provision for KFAS		-	(16,789)
Provision for NLST		(47,303)	(96,605)
Provision for Zakat		(29,359)	(44,134)
Profit for the period		1,804,244	3,622,538
Attributable to :			
Owners of the Parent Company		1,729,985	3,583,499
Non-controlling interests		74,259	39,039
Profit for the period		1,804,244	3,622,538
Basic and diluted earnings per share attributable to the owners of the Parent Company (fils)	7	2.02	4.02

The notes set out on pages 8 to 24 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 31 March 2020 (Unaudited) KD	Three months ended 31 March 2019 (Unaudited) KD
Profit for the period	1,804,244	3,622,538
Other comprehensive income:		
<i>Items that will not be reclassified subsequently to statement of profit or loss</i>		
Financial assets at fair value through other comprehensive income:		
- Net change in fair value arising during the period	(276,541)	(1,559,955)
<i>Items that will be reclassified subsequently to statement of profit or loss:</i>		
- Exchange differences arising on translation of foreign operations	(186,435)	15,879
- Transfer to consolidated statement of profit or loss on disposal of subsidiaries	(152,160)	-
Total other comprehensive loss	(615,136)	(1,544,076)
Total comprehensive income for the period	1,189,108	2,078,462
Attributable to:		
Owners of the Parent Company	1,114,849	2,039,423
Non-controlling interests	74,259	39,039
Total comprehensive income for the period	1,189,108	2,078,462

*The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.*

## Interim condensed consolidated statement of financial position

	Notes	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b>Assets</b>				
<b>Non-current assets</b>				
Property and equipment		205,648	207,386	242,288
Investment properties	8	222,147,392	223,906,226	223,104,409
Properties under development		8,390,760	7,450,699	7,450,699
Capital work in progress		1,021,588	519,126	846,720
Financial assets at FVTOCI		27,212,974	27,175,068	33,861,662
Investment in associates	9	23,450,659	7,967,807	6,743,517
Due from related parties	18	359,469	359,469	-
<b>Total non-current assets</b>		<b>282,788,490</b>	<b>267,585,781</b>	<b>272,249,295</b>
<b>Current assets</b>				
Trading properties		8,795,050	8,624,272	9,258,085
Due from related parties	18	6,569,263	6,593,998	2,417,299
Accounts receivable and other assets		4,348,508	3,972,076	9,519,190
Advance payments for purchase of investments	10	14,940,163	11,347,662	8,838,309
Financial assets at fair value through profit or loss	11	7,054,571	25,501,033	25,234,096
Cash and cash equivalents	12	2,565,471	3,298,312	4,380,775
<b>Total current assets</b>		<b>44,273,026</b>	<b>59,337,353</b>	<b>59,647,754</b>
<b>Total Assets</b>		<b>327,061,516</b>	<b>326,923,134</b>	<b>331,897,049</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>				
Share capital	13	94,736,506	94,736,506	94,736,506
Share premium		3,425,191	3,425,191	3,425,191
Treasury shares	14	(7,313,727)	(6,262,577)	(2,647,921)
Other components of equity	15	14,955,808	15,559,006	20,267,407
Retained earnings		22,206,766	20,476,781	21,526,435
<b>Equity attributable to owners of the Parent Company</b>		<b>128,010,544</b>	<b>127,934,907</b>	<b>137,307,618</b>
Non-controlling interests		3,148,154	3,073,895	2,938,208
<b>Total equity</b>		<b>131,158,698</b>	<b>131,008,802</b>	<b>140,245,826</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Borrowings	16	137,532,773	133,361,217	126,019,265
Lease liabilities	17	26,084,155	30,295,091	32,442,663
Provision for employees' end of service benefits		993,201	972,051	975,461
<b>Total non-current liabilities</b>		<b>164,610,129</b>	<b>164,628,359</b>	<b>159,437,389</b>
<b>Current liabilities</b>				
Due to related parties	18	498,165	1,010,928	657,199
Borrowings	16	5,827,255	5,768,622	6,924,570
Lease liabilities	17	7,095,078	7,379,033	7,597,733
Accounts payable and other liabilities		13,177,624	12,783,597	12,347,516
Due to bank		4,693,567	4,343,793	4,686,816
<b>Total current liabilities</b>		<b>31,292,689</b>	<b>31,285,973</b>	<b>32,213,834</b>
<b>Total Liabilities</b>		<b>195,902,818</b>	<b>195,914,332</b>	<b>191,651,223</b>
<b>Total Equity and Liabilities</b>		<b>327,061,516</b>	<b>326,923,134</b>	<b>331,897,049</b>

  
 Talal Jassim Al-Bahar  
 Vice Chairman and Chief Executive Officer

*The notes set out on pages 8 to 24 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 interests 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
Purchase of treasury shares	-	-	(1,083,766)	-	-	(1,083,766)	-
Sale of treasury shares	-	-	32,616	11,938	-	44,554	-
Total transactions with the owners	-	-	(1,051,150)	11,938	-	(1,039,212)	-
Profit for the period	-	-	-	-	1,729,985	1,729,985	74,259
Other comprehensive loss for the period	-	-	-	(615,136)	-	(615,136)	-
Total comprehensive (loss)/income for the period	-	-	-	(615,136)	1,729,985	1,114,849	74,259
Balance at 31 March 2020 (unaudited)	94,736,506	3,425,191	(7,313,727)	14,955,808	22,206,766	128,010,544	3,148,154
							131,158,698

The notes set out on pages 8 to 24 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 2019	90,671,294	3,425,191	(943,694)	21,735,909	17,419,769	132,308,469	-
Adjustment arising on adoption of IFRS 16	-	-	-	-	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	-
Purchase of treasury shares	-	-	(1,704,227)	-	-	(1,704,227)	-
Non-controlling interests arising on acquisition of subsidiary	-	-	-	-	-	-	-
Shares issued to acquire a subsidiary	4,065,212	-	-	-	(1,634,209)	2,431,003	2,899,169
Total transactions with the owners	4,065,212	-	(1,704,227)	-	(1,634,209)	726,776	2,899,169
Profit for the period	-	-	-	-	3,583,499	3,583,499	39,039
Other comprehensive loss	-	-	-	(1,544,076)	-	(1,544,076)	-
Total comprehensive (loss)/income for the period	-	-	-	(1,544,076)	3,583,499	2,039,423	39,039
Realised loss on disposal of financial assets at FVTOCI	-	-	-	75,574	(75,574)	-	-
Balance at 31 March 2019 (unaudited)	94,736,506	3,425,191	(2,647,921)	20,267,407	21,526,435	137,307,618	2,938,208
							140,245,826

The notes set out on pages 8 to 24 form an integral part of this interim condensed consolidated financial information.



## Interim condensed consolidated statement of cash flows

	Notes	Three months ended 31 March 2020 (Unaudited) KD	Three months ended 31 March 2019 (Unaudited) KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		1,804,244	3,622,538
Adjustments:			
Depreciation		6,000	70,751
Finance costs		1,881,370	1,976,031
Change in fair value of financial assets at fair value through profit or loss		1,387	47,276
Realised gain from disposal of financial assets at FVTPL		(273,863)	-
Change in fair value of investment properties	8	1,759,195	1,686,071
Share of results of associates	9	109,114	-
Dividend income		(63,589)	(49,583)
Gain on bargain purchase of a subsidiary		-	(3,579,018)
Gain on disposal of subsidiaries		(346,401)	-
Provision for employees' end of service benefits		23,856	18,151
Provision for doubtful debts		-	400,000
Provision for tax claims of overseas subsidiary		-	608,000
		4,901,313	4,800,217
Changes in operating assets and liabilities:			
Due from related parties		24,735	(397,971)
Accounts receivable and other assets		(376,432)	(4,113,678)
Advance payments to purchase investments		(3,592,501)	5,199,215
Due to related parties		(512,763)	(39,472)
Accounts payable and other liabilities		(1,052,310)	(1,067,633)
Employees' end of service benefits paid		(2,706)	-
Net cash (used in)/from operating activities		(610,664)	4,380,678
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(4,262)	(17,900)
Additions to capital work in progress		(502,462)	(624,856)
Additions to properties under development		(940,061)	(7,450,699)
Purchase of financial assets at fair value through other comprehensive income		(314,447)	(3,569,560)
Purchase of financial assets at fair value through profit or loss		-	(713,070)
Proceed from disposal of financial assets at fair value through profit or loss		1,386,900	-
Proceed from disposal of subsidiaries		2,550,000	-
Additions to investment properties		(361)	(337,000)
Addition in associates	9	(412,534)	(771,800)
Dividends received from associates		-	3,516
Dividends income received		63,589	49,583
Restricted balances		(5,717)	-
Bank balance resulted on acquisition of a subsidiary		-	3,046,106
Term deposits with maturity exceeding three months		-	(1,652,660)
Net cash from/(used in) investing activities		1,820,645	(12,038,340)
<b>FINANCING ACTIVITIES</b>			
Net change in borrowings		4,230,189	14,479,559
Finance costs paid		(435,033)	(810,768)
Lease liabilities paid		(4,493,891)	(4,812,000)
Net movement on treasury shares		(1,051,150)	(1,704,227)
Net cash (used in)/from financing activities		(1,749,885)	7,152,564
Net decrease in cash and cash equivalents		(539,904)	(505,098)
Net foreign exchange differences		(548,428)	(16,075)
Cash and cash equivalents at the beginning of the period	12	(2,777,200)	(1,847,972)
Cash and cash equivalents at the end of the period	12	(3,865,532)	(2,369,145)
<b>Material non-cash transactions:</b>			
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 8 to 24 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 three-month period ended 31 March 2020 was authorised for issue by the Parent Company's board of directors on 15 August 2020.

### 2 Basis of preparation

The interim condensed consolidated financial information of the Group for the three-month period ended 31 March 2020 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The accounting policies used in the preparation of this 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 three-month period ended 31 March 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.

## Notes to the interim condensed consolidated financial information (continued)

### 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:

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

<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
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 annual audited consolidated financial statements as at and for the 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
		31 March 2020	31 Dec. 2019	31 March 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	Cayman Islands	100%	100%	100%	Investment
KREC Equity Company Limited	Cayman Islands	100%	100%	100%	Investment
KREC Meeker Debt Company Limited (a)	Cayman Islands	-	100%	100%	Investment
KREC Meeker Equity Company Limited (a)	Cayman Islands	-	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 Meeker Debt Company Limited and KREC Meeker Equity Company Limited to third parties for a total consideration of KD2,550,000 resulted in a gain of KD346,401. Accordingly, the Group's control over these subsidiaries has been lost. However, the Group reclassified these investments as an investment in associates because it is able to exercise significant influence over the operations of associates but do not have control.



## Notes to the interim condensed consolidated financial information (continued)

### 5 Subsidiaries (continued)

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

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

This interim condensed consolidated financial information did not include any results of those subsidiaries, while a profit of KD31,282 was recognised for the period ended 31 March 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

	Three months ended 31 Mar. 2020 (Unaudited) KD	Three months ended 31 Mar. 2019 (Unaudited) KD
<i>On financial liabilities at amortised cost:</i>		
Due to bank	44,885	40,214
Borrowings	1,518,376	1,555,373
Lease liabilities	318,109	380,444
	<b>1,881,370</b>	<b>1,976,031</b>

### 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 31 March 2020 (Unaudited)	Three months ended 31 March 2019 (Unaudited)
Profit for the period attributable to the Parent Company (KD)	1,729,985	3,583,499
Weighted average number of shares outstanding during the period (excluding treasury shares) (share)	857,196,120	891,662,372
<b>Basic and diluted earnings per share attributable to the shareholders of the parent company (Fils)</b>	<b>2.02</b>	<b>4.02</b>

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

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b><i>Owned properties</i></b>			
Balance at the beginning of the period/year	185,128,561	174,739,425	174,739,425
Additions during the period/year	359	2,740,795	337,000
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	185,128,920	185,128,561	179,268,528
<b><i>Leased properties</i></b>			
Balance at the beginning of the period/year	38,777,667	-	-
Arising on adoption of IFRS 16	-	26,944,198	26,944,198
Arising on acquisition of subsidiary	-	18,577,754	18,577,754
Change in fair value for the period/year	(1,759,195)	(6,744,287)	(1,686,071)
Balance at the end of the period/year	37,018,472	38,777,665	43,835,881
<b>Balance at the end of the period/year</b>	<b>222,147,392</b>	<b>223,906,226</b>	<b>223,104,409</b>

The Group's investment properties are located as follows:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Kuwait	196,912,320	198,671,154	196,786,785
Other GCC and other countries	25,235,072	25,235,072	26,317,624
	222,147,392	223,906,226	223,104,409

Investment properties with carrying value of KD158,624,538 (KD158,624,538 as of 31 December 2019 and KD153,594,200 as of 31 March 2019) are pledged against borrowings and balance 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.

### 9 Investment in associates

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

	31 Mar. 2020 KD	31 Dec. 2019 KD	31 Mar. 2019 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	412,533	1,543,967	771,800
Share of results for the year	(109,114)	573,788	-
Dividend received	-	(125,181)	(3,516)
<b>Balance at the end of the period/year</b>	<b>23,450,659</b>	<b>7,967,807</b>	<b>6,743,517</b>



## Notes to the interim condensed consolidated financial information (continued)

### 9 Investment in associates (continued)

During the period, the Group reclassified its investments amounting to KD14,599,871, representing 28.54% ownership interest in Yotel New York Co. located in USA, from financial assets at FVTPL to investment in associate. The Group classified this investment as investment in associate because it is now able to exercise significant influence over the operations of associate. However, management believes it does not have control over the operations of the investee.

### 10 Advance payments for purchase of investments

These advances represent amounts paid for following:

- 10.1 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 KD14,930,163 (31 December 2019: KD11,337,662 and 31 March 2019: KD8,838,309) paid up to the reporting date has been accounted for as an advance payment.
- 10.2 During 2019, the Group entered into an initial agreement with third party to acquire local properties for total consideration of KD4,170,000. As per the agreement, the Group shall pay an advance payment of KD10,000 at date of signing the agreement, whereas the remaining balance of KD4,160,000 will be paid subsequent to the date of signing the agreement. However, it was agreed in the agreement that the properties' return and the management of these properties will remain with the seller until the remaining balance has been settled, which has not been done as of the date of issuing of this interim condensed consolidated financial information. Accordingly, the amount of KD10,000 paid up to the reporting date has been accounted for as an advance payment.

### 11 Financial assets at fair value through profit or loss

	31 Mar. 2020 KD	31 Dec. 2019 KD	31 Mar. 2019 KD
Local quoted securities	125,870	132,082	151,991
Local unquoted securities	340,430	340,430	370,246
Foreign quoted securities	1,401	2,788	3,224
Foreign unquoted securities	6,527,970	17,823,868	17,594,141
Debt instruments	-	7,142,965	7,055,594
Managed funds	58,900	58,900	58,900
	<b>7,054,571</b>	<b>25,501,033</b>	<b>25,234,096</b>

## Notes to the interim condensed consolidated financial information (continued)

### 12 Cash and cash equivalents

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Cash and bank balances	1,104,362	1,582,263	2,278,178
Cash in investment portfolios managed by others	18,054	272,994	177,071
Term deposits	1,443,055	1,443,055	1,925,526
<b>Cash and cash equivalents</b>	<b>2,565,471</b>	<b>3,298,312</b>	<b>4,380,775</b>
Less:			
Due to bank	(4,693,567)	(4,343,793)	(4,686,816)
Restricted bank balances	(294,381)	(288,664)	(137,578)
Term deposits with maturity exceeding three months	(1,443,055)	(1,443,055)	(1,925,526)
<b>Cash and cash equivalents for the purpose of the consolidated statement of cash flows</b>	<b>(3,865,532)</b>	<b>(2,777,200)</b>	<b>(2,369,145)</b>

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 31 March 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 31 March 2019). All shares are cash shares.

### 14 Treasury shares

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Number of treasury shares	93,555,896	83,305,381	45,893,361
Percentage of ownership	9.88%	8.79%	4.844
Market value (KD)	7,054,115	8,663,760	2,762,780
Cost (KD)	7,313,727	6,262,577	2,647,921

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

## Notes to the interim condensed consolidated financial information (continued)

### 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 2020	16,527,026	4,370,871	3,110,821	232,073	(8,681,785)	15,559,006
Other comprehensive income:						
Net change in fair value of financial assets at FVTOCI	-	-	-	-	(276,541)	(276,541)
Currency translation differences	-	-	-	(186,435)	-	(186,435)
Transfer to consolidated statement of profit or loss on disposal of subsidiaries	-	-	-	(152,160)	-	(152,160)
Sale of treasury shares	-	-	11,938	-	-	11,938
Balances at 31 March 2020 (unaudited)	16,527,026	4,370,871	3,122,759	(106,522)	(8,958,326)	14,955,808
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	-	-	-	-	75,574	75,574
Other comprehensive income/(loss):						
Net change in fair value of financial assets at FVTOCI	-	-	-	-	(1,559,955)	(1,559,955)
Currency translation differences	-	-	-	15,879	-	15,879
Balances at 31 March 2019 (Unaudited)	15,785,487	3,629,332	2,298,155	158,498	(1,604,065)	20,267,407

### 16 Borrowings

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Murabaha payable (i)	136,915,068	132,477,190	124,943,700
Tawaroq payable (ii)	1,005,075	1,256,344	2,010,150
Term loans (iii)	5,439,885	5,396,305	5,989,985
Total	143,360,028	139,129,839	132,943,835
Borrowings in KD	137,920,143	133,733,534	126,953,850
Borrowings in AED, USD and LBP	5,439,885	5,396,305	5,989,985
Total	143,360,028	139,129,839	132,943,835

The borrowings due for repayment as follows:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Within one year	5,827,255	5,768,622	6,924,570
Over one year	137,532,773	133,361,217	126,019,265
Total	143,360,028	139,129,839	132,943,835

## Notes to the interim condensed consolidated financial information (continued)

### 16 Borrowings (continued)

- 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 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. Term loans are secured by pledged of certain investment properties, properties held for trading and the Group's shares in certain fellow subsidiaries.

### 17 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 year:

	Period ended 31 Mar. 2020 (Unaudited) KD	Year ended 31 Dec. 2019 (Audited) KD	Period ended 31 Mar. 2019 (Unaudited) 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 year (note 6)	318,109	1,434,172	380,444
Settled during the period/year	(4,812,000)	(8,232,000)	(4,812,000)
<b>Balance at the end of the period/year</b>	<b>33,180,233</b>	<b>37,674,124</b>	<b>40,040,396</b>

Future minimum lease payments were as follows:

	Minimum lease payments due		
	One year KD	1 - 5 years KD	Total KD
31 March 2020:			
Lease payments	8,232,000	28,116,000	36,348,000
Finance charges	(1,135,922)	(2,031,845)	(3,167,767)
<b>Net present values</b>	<b>7,096,078</b>	<b>26,084,155</b>	<b>33,180,233</b>

	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)
<b>Net present values</b>	<b>7,379,033</b>	<b>30,295,091</b>	<b>37,674,124</b>

## Notes to the interim condensed consolidated financial information (continued)

### 17 Lease liabilities (continued)

	Minimum lease payments due			Total KD
	One year KD	1 - 5 years KD	Over 5 years KD	
31 March 2019:				
Lease payments	8,232,000	32,928,000	3,420,000	44,580,000
Finance charges	(634,237)	(3,859,912)	(45,425)	(4,539,604)
Net present values	7,597,733	29,068,088	3,374,575	40,040,396

### 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:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b>Interim condensed consolidated statement of financial position:</b>			
Due from related parties	6,928,732	6,953,467	5,883,183
Due to related parties	498,165	1,010,928	1,232,700
Advance payments for purchase of investments	14,930,163	11,337,662	8,838,309
Purchase of investment properties	-	2,324,000	-

Financial assets at fair value through other comprehensive income amounting to KD258,949 (KD433,799 in 31 December 2019 and KD499,603 in 31 March 2019) are managed by a related party.

	Three months ended 31 March 2020 (Unaudited) KD	Three months ended 31 March 2019 (Unaudited) KD
<b>Interim condensed consolidated statement of profit or loss:</b>		
Real estate rental income	577,934	897,041
Real estate operating expenses	106,691	129,179
Realised gain from disposal of financial assets at FVTPL	159,063	-
Gain on disposal of subsidiaries	271,687	-
General and administrative expenses	107,586	63,750
<b>Key management compensation:</b>		
Salaries and short-term benefits	71,410	71,410
Employees' end of service benefits	1,375	1,375

## Notes to the interim condensed consolidated financial information (continued)

### 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
<b>Three months ended 31 March 2020:</b>				
Total income	3,565,033	573,353	168,713	4,307,099
Profit/(loss) for the period	1,683,663	573,353	(452,772)	1,804,244
<b>As of 31 March 2020:</b>				
Total assets	240,354,789	72,658,368	14,048,359	327,061,516
Total liabilities	179,784,269	14,929,910	1,188,639	195,902,818
Net assets	60,570,520	57,728,458	12,859,720	131,158,698

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
<b>Three months ended 31 March 2019:</b>				
Total income	3,319,757	3,596,534	314,519	7,230,810
Profit/(loss) for the period	1,343,726	3,596,534	(1,317,722)	3,622,538
<b>As of 31 March 2019:</b>				
Total assets	237,731,939	74,677,584	19,487,526	331,897,049
Total liabilities	177,671,047	12,347,516	1,632,660	191,651,223
Net assets	60,060,892	62,330,068	17,854,866	140,245,826

### 20 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.

### 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.



## Notes to the interim condensed consolidated financial information (continued)

### 21 Fair value measurement (continued)

#### 21.1 Fair value hierarchy (continued)

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:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
<b>Financial assets:</b>			
<b>At amortised cost:</b>			
Due from related parties	6,928,732	6,953,467	2,417,299
Accounts receivable and other assets	4,173,970	3,797,539	9,519,190
Cash and cash equivalents	2,565,471	3,298,312	4,380,775
<b>At fair value:</b>			
Financial assets at fair value through profit or loss	7,054,571	25,501,033	25,234,096
Financial assets at FVTOCI	27,212,974	27,175,068	33,861,662
	<b>47,935,718</b>	<b>66,725,419</b>	<b>75,413,022</b>
<b>Financial liabilities:</b>			
<b>At amortised cost</b>			
Borrowings	143,360,028	139,129,839	132,943,835
Lease liabilities	33,180,233	37,254,659	40,040,396
Provision for employees' end of service benefits	993,201	972,051	975,461
Due to related parties	498,165	1,010,928	657,199
Accounts payable and other liabilities	13,177,624	13,203,062	12,347,516
Due to bank	4,693,567	4,343,793	4,686,816
	<b>195,902,818</b>	<b>195,914,332</b>	<b>191,651,223</b>

Management considers that the carrying amounts of financial assets 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:

## Notes to the interim condensed consolidated financial information (continued)

### 21 Fair value measurement (continued)

#### 21.1 Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
<b>31 March 2020 (Unaudited)</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	125,870	-	-	125,870
Local unquoted securities	-	-	340,430	340,430
Foreign quoted securities	1,401	-	-	1,401
Foreign unquoted securities	-	-	6,527,970	6,527,970
Managed funds	-	58,900	-	58,900
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	6,171,328	-	-	6,171,328
Local unquoted securities	-	-	12,288,075	12,288,075
Foreign unquoted securities	-	-	7,020,414	7,020,414
Debt instruments	-	-	1,733,157	1,733,157
	6,298,599	58,900	27,910,046	34,267,545
<b>31 December 2019 (Audited)</b>				
<i>Financial assets</i>				
<i>Financial assets at fair value through profit or loss:</i>				
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
<i>Financial assets at fair value through other comprehensive income:</i>				
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
<b>31 March 2019 (Unaudited)</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Local quoted securities	151,991	-	-	151,991
Local unquoted securities	-	-	370,246	370,246
Foreign quoted securities	3,224	-	-	3,224
Foreign unquoted securities	-	-	17,594,141	17,594,141
Debt instruments	-	-	7,055,590	7,055,590
Managed funds	-	58,900	-	58,900
<i>Financial assets at fair value through other comprehensive income:</i>				
Local quoted securities	7,246,199	-	-	7,246,199
Local unquoted securities	-	-	11,760,742	11,760,742
Foreign unquoted securities	-	-	13,285,295	13,285,295
Debt instruments	-	-	1,569,417	1,569,417
	7,401,414	58,900	51,635,431	59,095,745

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



## Notes to the interim condensed consolidated financial information (continued)

### 21 Fair value measurement (continued)

#### 21.1 Fair value hierarchy (continued)

##### Level 3 fair value measurements

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

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Opening balance	46,028,632	47,105,416	47,105,416
Arising on acquisition of a subsidiary	-	32,466	32,466
Additions	320,261	5,720,829	4,497,549
Disposals / transfer	(1,104,073)	(142,598)	-
Reclassifications	(14,599,870)	-	-
Related to disposal of subsidiaries	(2,734,904)	-	-
Change in fair value	-	(6,687,481)	-
Closing balance	27,910,046	46,028,632	51,635,431

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:

	31 March 2020 (Unaudited) KD	31 Dec. 2019 (Audited) KD	31 March 2019 (Unaudited) KD
Issued letters of guarantee	10,773,828	10,773,828	6,647,952
Capital commitments	15,968,765	16,908,826	16,911,777
	26,742,593	27,682,654	23,559,729

Capital commitments represent developing costs for properties under development.

### 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.

## Notes to the interim condensed consolidated financial information (continued)

### **24 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.

### **25 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.