Real-Estate Trade Centers Company

K.P.S.C
Kuwait
Financial Statements
December 31, 2019
with
Independent Auditor's Report

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Rödl
Middle East
Burgan - International Accountants
Ali Al-Hasawi & Co

Independent Auditor's Report

The Shareholders,
Real-Estate Trade Centers Company K.P.S.C
Kuwait

Report on the Financial Statements

Opinion

We have audited the financial statements of Real-Estate Trade Centers Company K.P.S.C ("the Company") which comprise the statement of financial position as of December 31, 2019 and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphases of matters

Without qualifying in our opinion, we refer to the following matters:

- Note 8 "Financial assets at fair value through other comprehensive income" the Company mainly determined the fair value based on a bid price that was approved by the Board of Directors in the subsequent period.
- Note 6 "properties under development" the Company obtained revaluations from two independent evaluators, none of them is a bank.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report for each matter below, our description of how our audit addressed the matter is provided in that context.

Properties under developments and investment properties valuation

Properties under development represent a significant part of the total assets and are carried at cost for an amount of KD 11,208,762. In addition to investment properties amount to KD 12,581,619 that are carried at fair value.

The valuation of properties under development and investment properties is important to our audit as it represents a significant judgment area and an important part of the total assets of the Company. The valuation of the property under development is highly dependent on estimates. We therefore identified the valuation of properties under development investment properties as a significant risk. The Company's policy is to revalue property under development and investment properties once at year end. These valuations are amongst others based on assumptions, such as estimated market knowledge, developers risk and historical transactions. In estimating the fair value of properties under development, valuers had used the valuation techniques such as sales comparison. We reviewed the valuation reports from the licensed valuers. We further focused on the adequacy of the disclosures on the valuation of properties under development (Note 6) and investment properties (Note 7).

Other Information

The Company Management is responsible for the other information. The other information comprises the board of director's report obtained before the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon, and the Annual Report, which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and when it becomes available, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Company, physical count was conducted in accordance with recognized practice and the financial statements together with the financial contents of the report of the Company's board of directors are in accordance therewith. We have obtained the information and explanations that we required for the purpose of our audit and the financial statements incorporate the information that is required by the Companies' Law no. 1 of year 2016, and related Executive Regulations, and the Company's memorandum and articles of association. According to the information available to us, there were no violations have occurred of either the Companies' Law no. 1 of year 2016, or of the Company's memorandum and articles of association during the year ended December 31, 2019 that might have had a material effect on the Company's business or its financial position.

Ali A. Al Hasawi
Licence No. 30 (A)
Rödl Middle East
Burgan International Accountants

Rödl Middle East
KUWAIT

March 31, 2020
State of Kuwait

Exhibit –A

Real-Estate Trade Centers Company K.P.S.C
Kuwait

Statement of financial position as of December 31, 2019
"All Amounts are in Kuwaiti Dinar"

	Note	2019	2018
Assets			
Non-current assets			
Property and equipment	4	**189**	363
Intangible assets	5	**1**	1
Properties under development	6	**11,208,762**	11,219,568
Investment properties	7	**12,581,619**	12,460,000
Financial assets at fair value through other comprehensive income "FVTOCI"	8	**6,098,315**	6,126,250
		29,888,886	29,806,182
Current assets			
Receivables and other debit balances	9	**35,795**	34,695
Cash and cash equivalents	10	**75,550**	86,389
		111,345	121,084
Total assets		**30,000,231**	29,927,266
Equity and liabilities			
Equity			
Share capital	11	**14,000,000**	13,450,000
Treasury share	12	**(911,675)**	(911,675)
Statutory reserve	13	**1,218,956**	1,216,611
Voluntary reserve	14	**1,109,600**	1,107,255
Revaluation reserve		**1,106,600**	1,106,600
Cumulative changes at fair value reserve		**47,065**	–
Foreign currency translation reserve		**97,850**	97,850
Retained earnings		**6,635,899**	6,673,055
Total equity		**23,304,295**	22,739,696
Non-current liabilities			
Due to related parties	15	**6,273,841**	6,838,926
End of service benefits		**30,957**	34,329
		6,304,798	6,873,255
Current liabilities			
Payables and accrued expenses	16	**391,138**	314,315
Total liabilities		**6,695,936**	7,187,570
Total equity and liabilities		**30,000,231**	29,927,266

Talal Abdul HameedDashti
Chairman

شركة مراكز التجارة العقارية
Real Estate Trade Centers Co.

The accompanying notes form an integral part of these financial statements.

Real-Estate Trade Centers Company K.P.S.C
Kuwait

Statement of profit or loss for the year ended December 31, 2019
"All Amounts are in Kuwaiti Dinar"

	Note	2019	2018
Revenue			
Unrealized gain on change in fair value of investment property	7	**121,619**	–
Liabilities no longer required	15	**36,067**	128,010
Other income		–	2,188
		157,686	130,198
Expenses and other charges			
Employees costs		**(53,806)**	(71,910)
General and administrative expenses	17	**(80,258)**	(41,540)
Depreciation		**(174)**	(339)
Net profit before deductions		**23,448**	16,409
Zakat		**(201)**	(212)
National Labour Support Tax		**(502)**	(531)
Contribution to Kuwait Foundation for the Advancement of Science		**(211)**	(148)
Net profit for the year		**22,534**	15,518
Earnings per share (Fils)	18	**0.17**	0.12

The accompanying notes form an integral part of these financial statements.

Real-Estate Trade Centers Company K.P.S.C
Kuwait

Statement of profit or loss and other comprehensive for the year ended December 31, 2019
"All Amounts are in Kuwaiti Dinar"

	2019	2018
Net profit for the year	**22,534**	15,518
Other comprehensive loss:		
Items that will not be reclassified subsequently to the profit or loss:		
Changes in fair value of financial assets at FVTOCI	(7,935)	–
Total other comprehensive loss	(7,935)	–
Total comprehensive income	14,599	15,518

The accompanying notes form an integral part of these financial statements.

Exhibit – D

Real-Estate Trade Centers Company K.P.S.C
Kuwait

Statement of changes in equity for the year ended December 31, 2019
"All Amounts are in Kuwaiti Dinar"

	Share capital	Treasury shares	Statutory reserve	Voluntary reserve	Revaluation reserve	Foreign currency translation reserve	Cumulative change in fair value	Retained earnings	Total
Balance at January 1, 2018	13,450,000	(905,102)	1,214,970	1,105,614	1,106,600	97,850	–	6,660,819	22,730,751
Total comprehensive income for the year	–	–	–	–	–	–	–	15,518	15,518
Transfer to reserves	–	–	1,641	1,641	–	–	–	(3,282)	–
Purchase of treasury shares	–	(6,573)	–	–	–	–	–	–	(6,573)
Balance at December 31, 2018	13,450,000	(911,675)	1,216,611	1,107,255	1,106,600	97,850	–	6,673,055	22,739,696
Balance at January 1, 2019	13,450,000	(911,675)	1,216,611	1,107,255	1,106,600	97,850	–	6,673,055	22,739,696
Share Capital increase (note 11)	550,000	–	–	–	–	–	–	–	550,000
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	(7,935)	22,534	14,599
Impact on sale financial assets at FVTOCI	–	–	–	–	–	–	55,000	(55,000)	–
Transfer to reserves	–	–	2,345	2,345	–	–	–	(4,690)	–
Balance at December 31, 2019	**14,000,000**	**(911,675)**	**1,218,956**	**1,109,600**	**1,106,600**	**97,850**	**47,065**	**6,635,899**	**23,304,295**

The accompanying notes form an integral part of these financial statements.

Real-Estate Trade Centers Company K.P.S.C
Kuwait

Statement of cash flows for the year ended December 31, 2019
"All Amounts are in Kuwaiti Dinar"

	2019	2018
Operating activities		
Net profit for the year	**22,534**	15,518
Adjustments		
Depreciation	**174**	339
Unrealized gain on change in fair value of investment property	**(121,619)**	–
Liabilities no longer required	**(36,067)**	(128,010)
Provision for end of service benefits	**(3,372)**	4,825
Interests income	–	(9)
Operating loss before changes in working capital	**(138,350)**	(107,337)
Receivables and other debit balances	**(1,100)**	(1,313)
Due to related parties	**20,982**	189,785
Payables and accrued expenses	**76,823**	1,130
Net cash (used in)/from operating activities	**(41,645)**	82,265
Investing activities		
Proceed from sale financial assets at FVTOCI	**20,000**	–
Net change in properties under development	**10,806**	(83,221)
Interest income received	–	9
Net cash from/(used in) investing activities	**30,806**	(83,212)
Financing activities		
Purchase of treasury shares	–	(6,573)
Net cash used in financing activities	–	(6,573)
Net decrease in cash and cash equivalents	**(10,839)**	(7,520)
Cash and cash equivalents at beginning of the year	**86,389**	93,909
Cash and cash equivalents at end of the year	**75,550**	86,389

The accompanying notes form an integral part of these financial statements.

Real-Estate Trade Centers Company K.P.S.C
Kuwait

Notes to the financial statements for the financial year ended December 31, 2019
"All Amounts are in Kuwaiti Dinar unless otherwise stated"

1- Formation and activities

Real-Estate Trade Centers Company was incorporated as a Limited Liability Company in accordance with memorandum of association no. 51 Volume1 dated January 6, 1999 and subsequent amendments, the latest was for the transfer of legal form to be Kuwaiti Shareholding Company Closed in accordance with authenticated memorandum and articles of association no. 5772 Volume 1 on August 9, 2006 and subsequent amendments, the latest was in accordance with the Ministerial memo no. 8/6 dated June 10, 2019 to increase the share capital. The Company was listed in Kuwait Stock Exchange on December 28, 2010.

As of December 31, 2019, the number of Company's employees was 14 employees (2018: 22 employees).

The Company's licensed activities:
- Owning, selling and purchasing of properties and lands and developing them for the Company's favor inside the State of Kuwait and abroad. Also, property management of third parties and leasing and marketing properties. These activities should not be performed against the active laws including the prohibition for the trade in private residential units as stated in these laws.
- Owning, selling and purchasing securities and debentures of real estate companies, inside the State of Kuwait and abroad.
- Preparation of real estate feasibility studies and providing all kind of related consultations, providing that the person making such service should be qualified.
- Owning and managing hotels, health and sport clubs, private hospitals and tourist premises and leasing them.
- Maintenance works related to the buildings and real estates owned by the Company and others, including civil, mechanical, electrical, elevators and air conditioning works necessary to maintain the buildings and its safety.
- Managing, operating, investing and leasing to/from others hotels, clubs, motels, guest houses, rest houses, parks, gardens, exhibitions, restaurants, cafeterias, residential complexes, resorts, hospitals, health project, entertainment projects and shops, together with providing all kind of necessary services ad utilities.
- Organizing real estate exhibitions related to the Company's projects in accordance with the Ministry's applicable laws.
- Owning and managing the commercial markets and residential complexes.
- Real estate auctions in accordance with the Ministry's applicable laws.
- Investing the surplus funds of the Company in financial and real estate portfolios managed by specialized companies.
- Direct investment in establishing the infrastructure of residential, commercial, industrial, tourist, construction and sports projects and areas in accordance with the Building Operating and Transferring (BOT) system and management of real estate properties in accordance with (BOT) system either for the Company or others.
- Provide management services for real-Estate projects and preparing related studies.
- Real-Estate development and owning of buildings and real estate projects and preparing related studies.
- Land development and owning of buildings and real-estate, commercial, residential, industrial and tourist projects and implementing them directly or through third parties in the interest of the Company or for others.
- Permissible for the Company to buy and sell its shares of not exceeding 10% of it's issued shares.

The Company has the right to conduct the above activities inside and outside State of Kuwait directly or through agency and the Company may have an interest or participate with others having similar activities or assist it in accomplishing its activities inside or outside Kuwait or purchase these companies.

The registered address of the Company is Salheya – Block 23 – First Floor – Entrance No. 2, and postal address is P.O. Box 26400 – Safat13124Kuwait.

These financial statements have been authorized for issuance in accordance with Board of Directors meeting held on March 31, 2020 subject to the approval of general assembly which has the authority to amend these financial statements.

2- Application of new and revised International Financial Reporting Standards (IFRSs)

2/1) Newly effective standard and amendments and improvements to standards

The new International Financial Reporting Standard IFRS 16 has become effective with effect from January 1, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations were applied for the first time from January 1, 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **IFRS 16: Leases**

  IFRS 16 was issued in January 2016 and it replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

  IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

  Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or a change in the rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to measure all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating and finance leases.

The adoption of IFRS 16 has no impact on the Company's financial statements as the Company's lease contracts are either short term or immaterial.

- **Other amendments to Standards**
  The following interpretations and amendments to standards have also been applied by the Company in preparation of these financial statements.

  - IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
  - Amendments to IFRS 9: Prepayment Features with Negative Compensation
  - Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
  - Amendments to IAS 28: Long-term interests in associates and joint ventures
  - Annual Improvements 2015-2017 Cycle (issued in December 2017)
    - Amendments to IFRS 3 Business Combinations
    - Amendments to IFRS 11 Joint Arrangements
    - Amendments to IAS 12 Income Taxes
    - Amendments to IAS 23 Borrowing Costs

  The adoption of the above did not result in any changes to previously reported net profit or net assets of the Company.

2/2) New and amended standards not yet effective, but available for early adoption

The below new and amended IFRSs that are available for early adoption for financial year ended December 31, 2019 are not effective until a later period, and they have not been applied in preparing these financial statements.

Adoption is not expected to impact the Company's financial statements:

Effective date	Description
January 1, 2020	• Amendments to IFRS 3 "Business Combinations" • Amendments to References to the Conceptual Framework in IFRS Standards • Amendments to IAS 1 and IAS 8 on 'Definition of Material'
January 1, 2022	• IFRS 17 "Insurance Contracts"
Effective date to be determined	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3- Significant accounting policies

3/1) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the Companies' law requirements in State of Kuwait.

3/2) Accounting convention

- The financial statements are prepared under the historical cost convention, adjusted through the revaluation of some assets according to fair value as explained in detail in the following accounting policies and disclosures.
- The financial statements are presented in Kuwaiti Dinar.

3/3) Recognition, initial measurement and derecognition of financial assets and liabilities

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

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

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

If the Company recognised the above conditions but retains control, this results in recognition of a new asset to the extent that the Company continues to participate in the asset.

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

Real-Estate Trade Centers Company K.P.S.C
Kuwait

Notes to the financial statements for the financial year ended December 31, 2019
"All Amounts are in Kuwaiti Dinar unless otherwise stated"

3/4) Financial instruments

- **Classification of financial assets**

  The classification is based on both:
  - The entity's business model for managing the financial asset and
  - The contractual cash flow characteristics of the financial asset.

  For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:
  - Financial assets at amortised cost
  - Financial assets at fair value through Other Comprehensive Income (FVTOCI)
  - Financial assets at fair value through profit or loss (FVTPL)

  At initial recognition, the Company may irrevocably designate a financial asset as measured at FVTPL that otherwise meets the requirements to be measured at amortised cost or at FVTOCI, if doing so eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise.

  At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in fair value of an equity instrument that is measured at FVTPL, if certain criteria are met.

- **Subsequent measurement of financial assets**
  - **Financial assets at amortised cost**

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

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

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

    Gains or losses recognized on other comprehensive income will be recycled through the statement of profit or loss upon derecognition of the asset (except for investments in equity instruments at fair value through other comprehensive income).

    The following financial assets are classified within this category:

    - ❖ Cash and cash equivalents

      Cash and cash equivalents for the purpose of preparing cash flow statement comprise cash on hand, balances with banks and other financial institutions and short term deposits that are due within three months from the date of placement.

- Receivables
  These are non-derivative financial assets with fixed or determinable amounts to be collected that are not quoted in an active market. They arise when the Company provides goods and services directly to debtors with no intention of trading the receivables.

- Due from related parties
  These are non-derivative financial assets with fixed or determinable amounts to be collected from related parties. They arise when the Company provides goods, services or/and financial funding directly to the related parties.

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

- **Financial assets at FVTOCI**
  At initial recognition, the Company may make an irrevocable election (on an instrument by instrument basis) to designate an investments in equity instruments as financial assets at FVTOCI. Such designation is not permitted if the investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

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

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

  Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income under "fair value reserve". Dividends are recognised in the statement of profit or loss, except for dividends that constitute redemption of portion of the financial asset's cost which then will be recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss is transferred to retained earnings within the statement of changes in equity. The equity instruments at FVTOCI are not subject to impairment test.

  The Company classifies unquoted investments in equity instruments as financial assets at FVTOCI in the financial position.

- **Financial assets at FVTPL**

  Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. The category also contains investments in equity shares.

  Assets in this category are measured at fair value with gains or losses recognised in statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

- **Impairment of financial assets**

  The adoption of IFRS 9 has significantly changed the calculation methodology of impairment loss from incurred loss model to be in accordance with Expected Credit Loss model ("ECL"). All financial assets are subject to ECL, except for financial assets at FVTPL.

  Expected Credit Loss ("ECL")

  The measurement of ECL as follows:

  (1) 12 month ECL, consist of financial instruments that are determined to have a low credit risk at the reporting date. Accordingly, the ECL is calculated for the possible default events over a period of 12 months after the reporting date.

  (2) Lifetime ECL, consist of financial instruments financial instruments with a significant increase in credit risk since initial recognition with objective evidence of impairment. ECL is calculated for the possible default events over the lifetime of the financial instrument.

  The ECL is calculated either on an individual or collective basis depending on the nature of the underlying portfolio of financial instruments and represents the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive. Then the ECL is discounted at the effective interest rate of the financial instrument.

  The ECL on financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

  The Company applied the simplified method on receivables and bank balances for the calculation of ECL.

  The Company recognizes a loss allowance for ECL by reducing the allowance from the carrying value of the financial asset that is measured at amortized cost with a charge to statement of profit or loss. For financial asset measured at FVTOCI, the allowance is recognized in other comprehensive income without reducing the carrying amount of the financial asset in the statement of financial position.

3/5) Investment properties

Investments properties consist of lands and properties held by the Company for capital appreciation or rental income. Investment properties are initially stated at cost which represents the fair value against the consideration given including possession fees for the investment properties. After preliminary recognitions, the investment properties are re-measured at fair value as of financial position date based on actual valuation from independent and registered evaluator. Gains or losses arising on change in fair value are recognized in the statement of profit or loss.

3/6) Property under development

Property under development is recognized at cost in addition to development expenses. When development process is completed, the property is classified either as investment property or as property and equipment for the purpose of the Company's use according to the intention of the management for the future use of these properties.

3/7) Property and equipment

Property and equipment are stated at the historical cost less accumulated depreciation. The recoverable values of property and equipment are reviewed at financial position date. If the recoverable value of property and equipment decreased from the book value, the book value is written down to the recoverable value. If the useful lives are different from the estimated lives of those assets, then the useful lives are adjusted prospectively without retroactive effect.

Property and equipment are depreciated on a straight-line method to reduce the cost of assets to their residual value according to the following:

Tools and equipment	15% - 20%
Furniture and fixtures	15% - 20%

3/8) Intangible assets

Intangible assets represents key money recorded at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful life.

3/9) Impairment of tangible and intangible assets

At each financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the impairment is recorded in the statement of profit or loss. The impairment loss represents the difference between the carrying value of the asset and the estimated recoverable amount of the asset. Recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use represents the estimated future cash flows discounted at an appropriate discount rate.

An impairment loss recognized in prior periods for an asset, other than goodwill, shall be reversed, if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The carrying amount of the asset shall be increased to its recoverable amount. Reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

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3/10) Revenue recognition

- Revenue from rendering services is recognized when the outcome of a transaction involving that rendering of services can be estimated reliably and when the following conditions are satisfied:
  - The amount of revenue can be measured reliably.
  - It is probable that the economic benefits associated with the transaction will flow to the Company.
  - The stage of completion of the transaction at the financial position date can be measured reliably.
  - The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

- Dividend income is recognized when the right to receive payment is established.
- Revenue is recognized for sales when the significant risks and rewards are transferred to the buyer, and no significant uncertainties remain regarding the derivation of consideration, associated or the possible return of goods.
- Other categories of income are recognized when earned, at the time the related services are rendered and/ or on the basis of the terms of the contractual agreement of each activity.

3/11) Treasury shares

Treasury shares consist of the Company's own shares that have been issued and subsequently reacquired by the Company and not yet reissued, sold or cancelled. Gain or loss from acquiring, selling, reissuing or cancelling treasury shares is not recognized in the statement of profit or loss. Proceeds on sale or payments on purchase of treasury shares are recorded directly under equity. Gain on sale of treasury shares is recognized separately in the shareholders' equity under "Gain on sale of treasury shares", which is not available for distribution. Loss on sale is charged to the same account to the extent of the available credit balance. Any excess losses are charged to retained earnings then to reserves. Gains realized subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares.

The issue of bonus shares increases the number of treasury shares with the same percentage and reduces the average cost per share without affecting the total cost of treasury shares.

3/12) Lease liabilities

A) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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B) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

C) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of real estate (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3/13) Payables and accruals

These are non-derivative financial liabilities. Liabilities are recognized for amounts to be paid in the future for goods or services received/rendered, whether billed by the supplier or not. Measured at amortized cost.

3/14) Provisions

Provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of the resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

3/15) End of services benefits

End of service benefits for employees is computed as per Kuwait labor law in the private sector and the signed contracts and on the assumption of ending the services of all employees at the financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of the Company towards employees benefits for past and current periods.

3/16) Foreign currencies translation

The functional currency of the Company is the Kuwaiti Dinar ("KD"). Accordingly, the financial statements are presented in KD. Transactions denominated in foreign currencies are translated into KD at the average rates of exchange prevailing during the year. Monetary assets and liabilities denominated in foreign currencies are retranslated into KD at rates of exchange prevailing at the financial position date. The resultant exchange differences are taken to the statement of profit or loss.

Non-monetary assets and liabilities measured at fair value in a foreign currency are translated to KD at the exchange rates prevailing at the date of determining fair value. For non-monetary assets where the related change in fair value is recognized directly in equity, all foreign exchange differences are recognized directly in equity. In addition, for non-monetary assets where the related change in fair value is recognized in the statement of profit or loss, all foreign exchange differences are recognized in the statement of profit or loss.

3/17) Taxation

Zakat

The Zakat is computed in accordance with law no. 46/2006 and Ministerial Decree no. 58/2007 related to Zakat imposed on the public and closed shareholding companies for the year at 1% of net profit before deducting the Company's provisions and reserves.

National Labor Support Tax

The National Labor Support Tax ("NLST") is computed in accordance with law no. 19/2000 and Ministerial Decree no. 24/2006 related to the NLST imposed on listed shareholding companies in Kuwait Stock Exchange for the year at 2.5% of net profit before deducting he Company's provisions and reserves.

Kuwait Foundation for Advancement of Science

The contribution to Kuwait Foundation for Advancement of Science ("KFAS") is computed at 1% of net profit after deducting the current year appropriation to statutory reserve.

3/18) Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying Economic benefits is remote. Contingent assets are not recognized but disclosed when an inflow of economic benefits is probable.

3/19) Significant accounting judgments and estimates and uncertainties

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported balances of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the year. Although these estimates are based on management's best knowledge of current events, actual results may differ for those estimates.

Accounting judgments

The Company has used the following significant judgments and estimates, regardless of other estimates, upon applying the accounting policies which has significantly affected the reported amounts in the financial statements.

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Classification of financial assets

Management decides on acquisition of financial assets whether it should be classified at amortized cost, FVTPL or FVTOCI.

Classification of financial assets at FVTPL depends on business model and how management monitors the performance of these financial assets. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of profit or loss in the management accounts, they are classified at FVTPL. All other financial assets are classified at FVTOCI.

Classification of property

Upon acquisition of a land, the management classifies the land into one of the following categories, based on the intention of the management for the use of the land.

- Properties under development
  When the intention of the management is to develop a land in order to use, lease or sell in the future, both the land and the construction costs are classified as properties under development till the properties are ready for intended use.
- Investment properties
  When the intention of the management is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land by Company.

Impairment of financial assets

Management determines the adequacy of the allowance for impairment loss based upon periodical reviews on individual basis, current economic conditions, past experience and other pertinent factors.

Useful lives of tangible assets

As described under the significant accounting policies note 3, the Company reviews the estimated useful lives over which its tangible assets are depreciated and amortized. The Company's management is satisfied that the estimates of useful lives are appropriate.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the financial statements date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity instrument is normally based on one of the following:
- Recent arm's length market transactions
- Fair value of other similar instruments that is substantially the same
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.
- Other valuation models.

The determination of the cash flows and discount factors for financial assets requires significant estimation.

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4- Property and equipment

	Machinery, tools and equipment	Furniture and fixtures	Total
Cost			
Balance at January 1, 2019	8,299	48,481	56,780
Balance at December 31, 2019	**8,299**	**48,481**	**56,780**
Depreciation			
Balance at January 1, 2019	8,030	48,387	56,417
Charges for the year	100	74	174
Balance at December 31, 2019	**8,130**	**48,461**	**56,591**
Net Book Value			
December 31, 2019	**169**	**20**	**189**
December 31, 2018	269	94	363

5- Intangible assets

	2019	2018
Cost		
Balance at beginning year	**250,000**	250,000
Balance at end of year	**250,000**	250,000
Amortization		
Balance at beginning year	**249,999**	249,999
Balance at end of year	**249,999**	249,999
Net book value	**1**	1

6- Properties under development

	2019	2018
Revalued properties under development	**10,106,600**	10,106,600
Total additions under progress	**1,102,162**	1,112,968
	11,208,762	11,219,568

The properties under development is aimed to establish equestrian club and related commercial activities, which is constructed on leased land from the State of Kuwait in Northern Sabhan for a period of 20 years starting from March 11, 2007. During 2006, the properties under development had been revalued by independent external evaluator upon converting the legal form of the Company form limited liability company to Kuwaiti Shareholding Company (Closed) at the value of KD 10,106,600 whereby an amount of KD 9,000,000 was considered in-kind capital in accordance with the Articles of Association and an amount of KD 1,106,600 as revaluation surplus from properties under development. The surplus is included under shareholders' equity and not subject to distribution to shareholders.

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The Company obtained revaluations from two independent evaluators as of December 31, 2019, none of them is a bank. The lower fair value amount to KD 12,050,000. Accordingly, no indications have been identified for the existence of impairment in value. The fair value has no effect on the financial statements.

7- Investment properties

	2019	2018
Balance at beginning of the year	**12,460,000**	12,460,000
Change in fair value	**121,619**	-
	12,581,619	12,460,000

These investment properties represent the value of lands owned by the Company located in the Syrian Arab Republic.

The Company obtained revaluation from certified independent evaluator in the Syrian Arab Republic as at December 31, 2019 with a fair value amount to SYP 18,121,300,000 equivalent to KD 12,581,619 that has been recognized in the financial statements resulting in unrealized gain amount to KD 121,619.

8- Financial assets at fair value through other comprehensive income "FVTOCI"

	2019	2018
Unquoted foreign shares	**6,098,315**	**6,051,250**
Unquoted local shares	-	**75,000**
	6,098,315	**6,126,250**

The movement during the year is as follows:

	2019	2018
Balance at beginning of the year	**6,126,250**	6,126,250
Disposals	**(20,000)**	-
Change in fair value	**(7,935)**	-
Balance at ending of the year	**6,098,315**	6,126,250

The financial assets have been evaluated according to the valuation techniques disclosed in note 23.

During the year, the Company sold local quoted shares amount to KD 20,000 resulting in loss amount to KD 55,000 charged directly to retained earnings within the statement of changes in equity.

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The Company obtained a bid price to sell the investment in unquoted foreign shares located in the Syrian Arab Republic – subsequent to year end amount to U.S Dollar 21,000,000 equivalent to KD 6,364,050 which is approved by the Company's board of directors. In addition, the Company obtained a revaluation from an independent evaluator as of December 31, 2019 for investment in unquoted foreign shares who is certified in the Syrian Arab Republic. The fair value was determined by Valuing Company's project only. The fair value amount to SYP 8,783,400,000 equivalent to KD 6,098,315 and the lower value was recognized in the financial statements.

9- Receivables and other debit balances

	2019	2018
Advances to suppliers	**21,551**	21,551
Prepaid expenses	**950**	950
Refundable deposits	**13,140**	12,040
Others	**154**	154
	35,795	34,695

The management believes that the carrying value of receivable and other debit balances approximates its fair value which is recoverable.

10- Cash and cash equivalents

	2019	2018
Cash at banks	**75,232**	85,477
Petty cash	**318**	912
	75,550	86,389

11- Share capital

The extra-ordinary general assembly held on May 23, 2019 has approved the increase in share capital from KD 13,450,000 to be KD 14,000,000 through the transfer of an amount of KD 550,000 due to related parties. This increase has been authenticated in the commercial register in accordance with the approval of Capital Market Authority and Ministerial memo no. 8/6 dated June 10, 2019.

The authorized, issued and fully paid-up share capital of the Company amount to KD 14,000,000 divided into 140,000,000 shares of fils 100 each. The paid-up share capital consists of:

	No. of shares (Share)	Value
In-kind shares	**90,000,000**	**9,000,000**
Paid-up in cash shares	**50,000,000**	**5,000,000**
	140,000,000	**14,000,000**

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12- Treasury shares

	2019	2018
Number of treasury shares (shares)	**10,500,000**	10,500,000
Cost of treasury shares (KD)	**911,675**	911,675
Market value of total shares (KD)	**243,600**	232,050
Percentage of issuing shares	**%7.5**	7.81%

13- Statutory reserve

In accordance with the requirements of the Companies' Law and the Company's articles of association, 10% of annual profit to be transferred to the statutory reserve. The shareholders may discontinue such transfer when the reserve reaches 50% of share capital. This reserve is not available for distribution except in cases stipulated by law and the Company's articles of association.

14- Voluntary reserve

As required by the Company's articles of association, a percentage of annual profit to be transferred to voluntary reserve. Such transfer may be discontinued by the approval of general assembly based on the recommendation of board of directors.

15- Transactions with related parties

Related parties ordinarily comprise shareholders, directors, executive officers and senior management members of the Company, their families and companies of which they are the principal owners or over which they are able to exercise significant influence. The Company's management decides on the terms and conditions of the transactions and services received/rendered from/to related parties besides other expenses. Amounts due from/to related parties are interest free.

The balances and significant transactions with related parties consist of:

	2019	2018
Statement of financial position		
Due to related parties	**6,273,841**	6,838,926

The due to related parties has been classified under non-current liabilities based on confirmation in writing that the payment will not be called within the next 12 months from the date of financial position. The related parties provide funding to the Company to meet settle its liabilities and expenses.

	The year ended December 31, 2019	The year ended December 31, 2018
Statement of profit or loss		
Liabilities no longer required to a related party	**36,067**	128,010

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	The year ended December 31, 2019	The year ended December 31, 2018
Transactions		
Due to related party transferred to share capital (note 11)	**550,000**	-
Transferred end of service benefits from related party	-	752

During the year, related parties have discharged the Company in writing from the payment of an amount of KD 36,067 which was charged to statement of profit or loss under "liabilities no longer required".

16- Payables and accrued expenses

	2019	2018
Retention payable	**19,308**	19,242
Contribution to Kuwait Foundation for the Advancement of Science and Zakat	**148,115**	147,703
National Labor Support Tax	**5,525**	5,023
Accrued expenses and other liabilities	**218,190**	142,347
	391,138	314,315

17- General and administrative expenses

	2019	2018
Printing and stationery	**262**	340
Rent	**17,580**	22,840
Fees and subscriptions	**56,619**	11,955
Advertising and promotion	**678**	420
Bank charges	**183**	543
Legal and professional fees	**4,250**	4,250
Other expenses	**686**	1,192
	80,258	41,540

18- Earnings per share

Earnings per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares outstanding less weighted average during the year as follows:

	2019	2018
Net profit for the year	**22,534**	15,518
Weighted average number of ordinary shares outstanding during the year (shares)	**129,500,000**	124,168,981
Earnings per share (fils)	**0.17**	0.12

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19- Segment information

a) The Company's different divisions are considered one operating segment as the operations of those divisions are inter-related and of similar nature. Segment information is based on the geographic regions.

b) The assets, liabilities and equity of the Company are distributed over the following geographical regions:

	2019	2018
	Assets	Assets
State of Kuwait	**11,320,297**	11,416,016
Syrian Arab Republic	**18,679,934**	18,511,250
	30,000,231	29,927,266

	2019	2018
	Liabilities and equity	Liabilities and equity
State of Kuwait	**29,855,316**	29,829,416
Syrian Arab Republic	**144,915**	97,850
	30,000,231	29,927,266

c) The geographic distribution for the main activities of the Company are as follows:

	December 31, 2019		
	State of Kuwait	**Syrian Arab Republic**	**Total**
Income	**36,067**	**121,619**	**157,686**
Expenses and other charges	**(135,152)**	**-**	**(135,152)**
	(99,085)	**121,619**	**22,534**

	December 31, 2018		
	State of Kuwait	Syrian Arab Republic	Total
Income	130,198	-	130,198
Expenses and other charges	(114,680)	-	(114,680)
	15,518	-	15,518

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20- General assembly

As of May 23, 2019 the ordinary and extra-ordinary general assembly for the year ended December 31, 2018 has been held and approved the following:

- Financial statements for the year ended December 31, 2018.
- Election new board of directors.
- No dividend distribution to shareholders;
- No payment of remuneration to the board of directors.
- Increase the share capital of the Company from KD 13,450,000 to be KD 14,000,000 through the transfer of an amount of KD 550,000 from the credit balances due to related parties. Authentication in commercial register is made in accordance with the approval of Capital Markets Authority and Ministerial memo no. 8/6 dated June 10, 2019.

21- Legal case

There is a verdict against the Company in favor of a local company for the amount of KD 105 thousand in addition to the legal interest. The court of cassation ceased the implementation of the verdict until final conclusion achieved. This verdict does not have negative effect on the financial position of the Company.

22- Capital commitments

The Company had capital commitments as of December 31, 2019 against property under development amount to approximately KD 900,000 (2018: KD 1,000,000).

23- Financial instruments and risks management

A) Financial instruments:

Significant accounting policies

Details of the significant accounting policies, including the criteria for measurement and recognition of revenue and expenses, in respect of each class of financial assets and liabilities, are disclosed in note (3) to the financial statements.

Categories of financial instruments

The Company's financial assets and financial liabilities are categorized in the statement of financial position consist of cash and cash equivalents, receivables and other debit balance, financial assets at FVTOCI, payables and other credit balances and due to related parties.

Fair value of financial instruments
Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in force or liquidation sale. The Company used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and trade on active liquid markets is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

Fair value measurements recognized in the statement of financial position

Financial assets and liabilities measured at fair value in the statement of financial position are determined in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

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

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

	2019	2018
Financial assets at FVTOCI		
Level 2	6,098,315	-
	6,098,315	-

The Company does not have financial instruments measured at fair value as of year-end for comparative year.

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B) Financial risks management

The Company uses financial instruments, which exposes it to a variety of financial risks such as credit risks, market risks, liquidity risks and cash flow interest rate risks. The management of the Company continuously reviews its risk exposures to minimize the risks to acceptable levels.

The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risks, interest rate risks, credit risks and investment of excess liquidity.

The significant risks that the Company is exposed to are discussed below:

- **Market risks**

Market risk results from the fluctuation of its components such as equity prices, interest rates and foreign currency rates. Management evaluates these risks periodically in order to minimize its effects on the Company's financial instruments.

Foreign currency risks

Foreign currency risks arise from transactions in foreign currencies other than the functional currency of the Company. The Company manages these risks by setting policy parameters on transactions in foreign currencies.

The table below summarizes the net effect on the Company's profit and loss and equity as a result of estimated changes in foreign currency rates of major currencies handled by the Company, with all other variables held constant:

		December 31, 2019	
Currency	**Change in currency rate**	**Net effect on profit or loss**	**Net effect on equity**
US Dollar	**(±) 2%**	**(±) 251,632**	**(±)121,966**

		December 31, 2018	
Currency	Change in currency rate	Net effect on profit or loss	Net effect on equity
US Dollar	(±) 2%	(±) 249,200	(±) 121,025

Cash flow interest rate risks

Interest rate risks arise from fluctuation in interest rates associated with assets and liabilities exposing the Company's profit or loss and operating cash flows substantially to changes.

The Company analysis it's interest rate exposure on a dynamic basis to minimize the significant undesirable future cash flow effects.

Currently, the Company is not significantly exposed to interest rate risk, since there are no floating interest-bearing assets and liabilities as at reporting date.

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Equity price risks

Equity price risk is the risk that the fair values of equity securities decrease as a result of the changes in the level of equity indices and the value of the individual stocks. Equity price risk arises from changes in the fair values of equity investments and other managed investments.

Assuming the equity prices changed by (±) 5%, the effect on equity would, with all variables held constant, (±) KD 304,615.

Financial assets at FVTOCI are stated at cost for comparative year because of unavailability of reliable method to measure the fair value.

- **Credit risks**

  Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Company to credit risk, consist principally of bank balances and receivables. The cash deposited at local banks. The receivables are presented net of allowance for doubtful debts, if any.

- **Liquidity risks**

  Liquidity risk is the risk that the Company will be unable to meet its obligations when due. To minimize liquidity risk, management monitors liquidity periodically by forecasting future cash flow.

  The maturity of all liabilities as of reporting date is estimated to be within one year (2018: within one year), with the exception of end of service benefits, which is estimated to have a maturity of over one year.

  The current liabilities of the Company exceeded the current assets by an amount of KD 279,793 (December 31, 2018: KD 193,231) which raises doubt about the Company's ability to continue as going concern. These financial statements have been prepared on the assumption of going concern.

24- Capital risk management

The boards of director's objectives in managing the capital are:

- To safeguard the Company ability to continue as a going concern to be able to provide returns to shareholders and benefits to other beneficiaries.
- To maintain optimal returns to shareholders by pricing products and services commensurately with risk level.

The Company determines share capital that is adequate for risks, manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.