Mashaer Holding Company K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Mashaer Holding Company K.S.C.P. (the "Parent Company") and its Subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Impairment of investment in associates

The Group has investment in associates with a carrying value of KD 3,524,600 as at 31 December 2020. Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment provisions.

Impairment of investment in associates is significant to our audit as the management uses judgments and estimates to assess these investments for impairment. Accordingly, we have considered this as a key audit matter.

As part of our audit procedures, we assessed whether the management has identified any indications of impairment in its investees, including significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business also considering any changes in the investee's financial condition. We further assessed management's assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts to establish whether there are any indicators of impairment.

Additionally, we have also assessed the adequacy of the disclosures relating to Group's investment in associates in Note 7 to the consolidated financial statements.

b) Fair valuation of investment properties

Investment properties represent a significant part of the total assets of the Group and are measured at fair value of KD 17,912,023 as at 31 December 2020.

The fair value of Group's investment properties have been determined by external real estate appraiser. The determination of fair value of investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. Further, there is valuation uncertainty arising from the outbreak of the COVID-19 pandemic. Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraiser's valuations. We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis. Further, we have considered the objectivity, independence and competence of the external real estate appraiser. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 6 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2020 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MASHAER HOLDING COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

17 March 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
Income			
Rental income		**1,382,479**	3,264,666
Valuation losses from investment properties	6	**(2,031,582)**	(1,534,837)
Net investment income from financial assets	4	**76,898**	158,960
Share of results of associates	7	**(2,384,379)**	424,643
Reversal of provision no longer required		**-**	1,586,456
Net foreign exchange differences		**200**	(1,778)
Other income		**71,437**	107,094
Net (loss) income		**(2,884,947)**	4,005,204
Expenses			
Staff costs		**(594,704)**	(643,412)
General and administrative expenses		**(226,325)**	(388,086)
Real estate expenses		**(369,202)**	(419,051)
Amortization of leasehold prepayment		**(164,579)**	(164,579)
Finance costs		**(154,522)**	(178,742)
Depreciation expense		**(366,133)**	(370,875)
Expected credit losses on trade receivables		**(234,148)**	(17,334)
Total expenses		**(2,109,613)**	(2,182,079)
(Loss) profit before tax and directors' remuneration		**(4,994,560)**	1,823,125
Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS")			(18,052)
National Labor Support Tax		**-**	(45,073)
Zakat		**-**	(20,394)
Taxation of overseas subsidiaries		**(4,618)**	(6,827)
Board of directors' remuneration		**-**	(54,000)
(LOSS) PROFIT FOR THE YEAR		**(4,999,178)**	1,678,779
Attributable to:			
Equity holders of the Parent Company		**(4,929,667)**	1,658,586
Non-controlling interests		**(69,511)**	20,193
		(4,999,178)	1,678,779
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	5	**(27.91) Fils**	9.26 Fils

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	*2019*
	KD	*KD*
(Loss) profit for the year	**(4,999,178)**	1,678,779
Other comprehensive income		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**11,686**	772,996
Share of other comprehensive income from associates	**13,065**	(69,788)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**24,751**	703,208
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net gain on equity instruments designated at fair value through other comprehensive income	**15,743**	42,706
	15,743	42,706
Total other comprehensive income for the year	**40,494**	745,914
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(4,958,684)**	2,424,693
Attributable to:		
Equity holders of the Parent Company	**(4,991,601)**	2,308,384
Non-controlling interests	**32,917**	116,309
	(4,958,684)	2,424,693

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	***2020 KD***	*2019 KD*
ASSETS			
Non-current assets			
Furniture and equipment		**42,822**	22,512
Right-of-use assets	16	**218,555**	573,480
Investment properties	6	**17,912,023**	19,935,584
Investment in associates	7	**3,524,600**	6,016,339
Financial assets at fair value through comprehensive income	8	**1,123,915**	1,108,172
Accounts receivable and other assets	9	**-**	340,981
		22,821,915	27,997,068
Current assets			
Amounts due from related parties	18	**-**	13,332
Accounts receivable and other assets	9	**1,404,329**	1,724,902
Investment deposits	10	**1,754,965**	2,511,875
Cash and bank balances		**429,598**	1,130,269
		3,588,892	5,380,378
TOTAL ASSETS		**26,410,807**	33,377,446
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**17,942,989**	17,942,989
Share premium	11	**10,239,344**	10,239,344
Statutory reserve	12	**180,293**	180,293
Voluntary reserve	12	**180,293**	180,293
Foreign currency translation reserve		**(5,949,974)**	(5,872,404)
Treasury shares	13	**(209,965)**	(74,944)
Treasury shares reserve		**2,761**	2,761
Fair value reserve		**(547,335)**	(562,971)
(Accumulated losses)/ retained earnings		**(4,513,031)**	1,298,000
Equity attributable to the equity holders of the Parent Company		**17,325,375**	23,333,361
Non-controlling interests		**2,243,330**	2,210,413
Total equity		**19,568,705**	25,543,774
Liabilities			
Non-current liabilities			
Tawarruq and murabaha facilities	14	**2,038,333**	2,611,042
Employees' end of service benefits		**339,430**	321,397
Lease liabilities	16	**-**	12,556
		2,377,763	2,944,995
Current liabilities			
Tawarruq and murabaha facilities	14	**669,072**	602,576
Amounts due to related parties	18	**256,850**	270,430
Accounts payable and other liabilities	15	**3,194,017**	3,671,271
Lease liabilities	16	**344,400**	344,400
		4,464,339	4,888,677
Total liabilities		**6,842,102**	7,833,672
TOTAL EQUITY AND LIABILITIES		**26,410,807**	33,377,446

Fahad Abdullah Al-Saleh
Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Equity attributable to the equity holders of the Parent Company											
	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Foreign currency translation reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Retained earnings / Accumulated losses) KD*	*Sub-Total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2020	17,942,989	10,239,344	180,293	180,293	(5,872,404)	(74,944)	2,761	(562,971)	1,298,000	23,333,361	2,210,413	25,543,774
Loss for the year	-	-	-	-	-	-	-	-	(4,929,667)	(4,929,667)	(69,511)	(4,999,178)
Other comprehensive (loss) income for the year	-	-	-	-	(77,570)	-	-	15,636	-	(61,934)	102,428	40,494
Total comprehensive (loss) income for the year	-	-	-	-	(77,570)	-	-	15,636	(4,929,667)	(4,991,601)	32,917	(4,958,684)
Purchase of treasury shares	-	-	-	-	-	(135,021)	-	-	-	(135,021)	-	(135,021)
Cash dividends	-	-	-	-	-	-	-	-	(881,364)	(881,364)	-	(881,364)
At 31 December 2020	**17,942,989**	**10,239,344**	**180,293**	**180,293**	**(5,949,974)**	**(209,965)**	**2,761**	**(547,335)**	**(4,513,031)**	**17,325,375**	**2,243,330**	**19,568,705**
As at 1 January 2019 (as previously reported)	17,942,989	14,334,621	-	-	(6,479,721)	(13,008)	2,761	(605,452)	(4,095,277)	21,086,913	347,799	21,434,712
Profit for the year	-	-	-	-	-	-	-	-	1,658,586	1,658,586	20,193	1,678,779
Other comprehensive income for the year	-	-	-	-	607,317	-	-	42,481	-	649,798	96,116	745,914
Total comprehensive income for the year	-	-	-	-	607,317	-	-	42,481	1,658,586	2,308,384	116,309	2,424,693
NCI arising on business combination	-	-	-	-	-	-	-	-	-	-	1,746,305	1,746,305
Transfer to reserve	-	-	180,293	180,293	-	-	-	-	(360,586)	-	-	-
Purchase of treasury shares	-	-	-	-	-	(61,936)	-	-	-	(61,936)	-	(61,936)
Extinguishment of accumulated losses	-	(4,095,277)	-	-	-	-	-	-	4,095,277	-	-	-
At 31 December 2019	17,942,989	10,239,344	180,293	180,293	(5,872,404)	(74,944)	2,761	(562,971)	1,298,000	23,333,361	2,210,413	25,543,774

The attached notes 1 to 26 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	**2020** *KD*	2019 *KD*
OPERATING ACTIVITIES			
(Loss) profit before tax		**(4,994,560)**	1,823,125
Adjustments to reconcile profit (loss) before tax to net cash flows:			
Provision for employees' end of service benefits		**66,025**	39,930
Net investment income from financial assets	4	**(76,898)**	(158,960)
Revaluation losses from investment properties	6	**2,031,582**	1,534,837
Share of results of associates	7	**2,384,379**	(424,643)
Net foreign exchange differences		**(200)**	1,778
Other income		**-**	(62,626)
Amortisation of lease prepayments		**164,579**	164,579
Finance costs		**154,522**	178,742
Allowance for expected losses on trade receivable	9	**234,148**	17,334
Reversal of provision no longer required		**-**	(1,586,456)
Depreciation expense for the year		**366,133**	370,875
		329,710	1,898,515
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**247,247**	574,397
Accounts payable and other liabilities		**(410,191)**	(682,465)
Amounts due from related parties		**13,332**	560,295
Amounts due to related parties		**(13,580)**	53,493
Cash flows from operations		**166,518**	2,404,235
Employees' end of service benefits paid		**(47,992)**	(397)
Taxes paid		**(71,681)**	-
Receipt of government grant		**15,780**	-
Net cash flows from operating activities		**62,625**	2,403,838
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(31,518)**	-
Capital expenditure on investment properties		**(8,021)**	(8,550)
Cash acquired on business combination		**-**	31,511
Net movement of investment deposits		**756,910**	(1,612,589)
Dividends received from associates	7	**120,425**	-
Proceeds from redemption of investment at FVOCI		**-**	152,845
Income from investment deposit and dividends received		**76,898**	158,960
Net cash flows from (used in) investing activities		**914,694**	(1,277,823)
FINANCING ACTIVITIES			
Finance costs paid		**(139,796)**	(178,742)
Dividends paid		**(881,364)**	-
Net repayment of tawarruq and murabaha facilities		**(506,213)**	337,019
Payment of principal portion of lease liabilities	16	**(27,282)**	(573,727)
Purchase of treasury shares		**(135,021)**	(61,936)
Net cash flows used in financing activities		**(1,689,676)**	(477,386)
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES		**(712,357)**	648,629
Foreign currency translation adjustments		**11,686**	74,751
Cash and bank balances at 1 January		**1,130,269**	406,889
CASH AND BANK BALANCES AT 31 DECEMBER		**429,598**	1,130,269
Non-cash items excluded from the statement of cash flows:			
Transitional adjustment to lease liabilities on adoption of IFRS 16		**-**	930,683
Transitional adjustment to right-of-use of assets on adoption of IFRS 16		**-**	(930,683)

The attached notes 1 to 26 form part of these consolidated financial statements.

1. CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

Mashaer Holding Company K.S.C.P. (the "Parent Company") is a Kuwaiti public shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded on Boursa Kuwait.

The Parent Company's major shareholder is A'ayan Leasing and Investment Company K.S.C.P, a shareholding company incorporated and domiciled in the State of Kuwait and whose shares are publicly traded.

The consolidated financial statements of the Parent Company and subsidiaries (collectively the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 17 March 2021 and the shareholders at the annual general assembly meeting (AGM) have the power to amend these consolidated financial statements.

The registered address of the Parent Company is located at Gravity Tower, Ahmad Al Jaber street, Sharq, Kuwait and its postal address is P.O. Box 23110, Safat 13092, State of Kuwait.

The Parent Company is principally engaged in establishing companies in Kuwait and abroad, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialised financial institutions.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 18.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and its subsidiaries for the year ended 31 December 2020. Details of the subsidiaries included in the consolidated financial statements are as follows:

Name	*Country of incorporation*	*% equity interest*		*Principal activities*
		2020	*2019*	
Masa'a Real Estate Company – K.S.C. (Closed)	Kuwait	**99.01**	99.01	Real estate
Hajj & Umrah Services Consortium – Mashaer K.S.C. (Closed) [1]	Kuwait	**97**	97	Hajj & Umrah services
Masa'a Real Estate Egypt E.S.C. [1]	Egypt	**98**	98	Real estate
Dar Al-Masa'a Real Estate S.S.C. [3]	K.S.A.	**-**	97	Real estate
Mashaer Kuwait Umra Trip organizing Company W.LL.	Kuwait	**100**	100	Umra Services
The Spot Real Estate Company	Egypt	**65**	65	Real estate

a) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 10.

Name	*Country of incorporation*	*% equity interest*		*Principal activities*
		2020	*2019*	
Hajar Tower Real Estate Company – K.S.C. (Closed) [2]	Kuwait	**16**	16	Real estate
Rawahel Holding Company K.S.C. (Closed) [2]	Kuwait	**18.53**	18.53	Transport services
Qiblah Travel & Tourism Company K.S.C. (Closed) [4]	Kuwait	-	40.46	Travel and tour services

[1] The Group effective interest in the subsidiary is 100%. The Group directly holds the shares in the respective subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary.

[2] The Group owns less than 20% of the voting rights of the investee, however the Group determined that it has significant influence because it has meaningful representation on the board of the investee.

[3] During the year, the company has been deregistered from the commercial register.

[4] During the year, the Group fully sold of its interest in the company.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and financial assets at fair value through other comprehensive income which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is also the Parent Company's functional and presentation currency.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The significant amendments are as follows:

Amendments to IAS 1 and IAS8: Definition of Material
The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated 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 output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 COVID-19 Related Rent Concessions
On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

Other amendments which are applicable for annual period ended 31 December 2020 do not have any impact on the consolidated financial statement of the Group.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies and whether the Group may wish to re-assess covenants in its existing loan agreements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with earlier adoption permitted. The Group must apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16
In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting.

2.4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.4.1 Basis of consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the

Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.2 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.4.3 Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and impairment in value. Depreciation is calculated using the straight line to write down the cost of furniture and equipment to their residual values over their estimate useful lives as follows:

Office equipment & computers	3 years
Furniture & fixtures	5 years

An item of furniture and equipment are derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of furniture and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Depreciation of these assets commences when the assets are ready for their intended use.

2.4.4 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.5 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

2.4.6 Interest in investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate in the statement of profit or loss.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.7 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2.4.8 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.8 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon DE recognition (equity instruments)
- Financial assets at fair value through profit or losss

a) Financial assets at amortized cost (debt instruments)
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon de recognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.8 Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include tawarruq payables, amounts due to related parties, lease liabilities and accounts payable and accruals.

All financial liabilities are recognised initially at fair value and, in the case of tawarruq payables and account payables, net of directly attributable transaction costs.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (including tawarruq payables)

The Group has not designated any financial liability as at fair value through profit or loss as financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost
Tawarruq payables
Tawarruq payables represent amounts payable on a deferred settlement basis for assets purchased under tawarruq arrangements. Tawarruq payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Accounts payable and accruals
Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition
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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

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

2.4.9 Impairment of financial assets
Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.9 Impairment of financial assets (continued)

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For bank balances, trade receivables and other receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the balances and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

2.4.10 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

2.4.11 Fair value measurement

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.11 Fair value measurement (continued)
The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4.12 Investment deposits
Investment deposits represent deposits with banks which are due after three months from the placement date and earn profit.

2.4.13 Employees end of service benefits
The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

2.4.14 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.15 Treasury shares
The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised 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 treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.4.16 Earnings per share (EPS)
Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.17 Dividends
Income from dividends is recognised when the right to receive payment is established.

2.4.18 Dividend distribution
The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the Shareholders at the annual general assembly. A corresponding amount is recognised directly in equity. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.4.19 Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of the profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)
NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

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

2.4.20 Government Grants
Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed and is included in the same line item in the income statement.

To mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made in respect of eligible staff costs in the private sector.

The government assistance received during the year is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and recognized in the income statement as a deduction to 'other income' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs.

2.4.21 Revenue recognition
Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Rental income
The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises.

Gain or loss arising on disposal of investments
Gain or loss arising on disposal of investments is calculated as the difference between the net disposal proceeds and the carrying amount of the investments and included in the consolidated statement of profit or loss, in the year in which the investment is disposed. Gain or loss on disposal of investments is recognised when the significant risks and rewards of ownership of the investments have passed to the buyer.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.22 Income from investment deposits
Income from investment deposits is recognised on a time proportionate basis.

2.4.23 Finance costs
Finance cost are calculated and recognised on a time proportionate basis taking into account the principal finance balance outstanding and the cost rate applicable. Finance costs that are directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset. Capitalisation of financing cost ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete. Other finance costs are recognised as an expense in the period in which they are incurred.

2.4.24 Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

2.4.25 Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

2.4.26 Segmental information
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from those of other segments. The Group presents the segmental information based on its business segments and geographical locations of its operations.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.27 Leases

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

i) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises 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 depreciation and impairment losses, and adjusted for any premeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies - Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (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 of office equipment that are considered to be 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.

i) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

2.5.1 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of real estate properties

Determining the classification of a property depends on particular circumstances and management's intentions. Property that is held for resale in the ordinary course of business or that in the process of development for such sale is classified as inventory. Property held to earn rental income or for capital appreciation, or both is classified as investment property. Property held for use in the production or supply of goods and services or for administrative purposes is classified as property and equipment.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operations if a replacement is not readily available.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxes. Given the range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective Group companies' domicile.

2.5.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

2.5.2 Estimates and assumptions (continued)

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 6.

Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company ‘would have to pay’, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

3 FUNDAMENTAL ACCOUNTING CONCEPT

The consolidated financial statements has been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the liabilities, for the next twelve months.

The Group incurred a net loss of KD 4,999,178 during the year and, as at year end 2020, the Group's current liabilities exceeded its current assets by KD 875,447 (2019: current assets exceeded current liabilities by KD 491,701). The current liabilities include Tawarruq and murabaha payables of KD 669,072 (2019: KD 602,576), which are contractually due within 12 months from the end of the year. Further, the Group's accumulated losses amounted to KD 4,513,031 as at the reporting date.

In addition to the above, the COVID-19 outbreak has developed rapidly in 2020. As explained in Note 26, measures taken by various governments to contain the virus could negatively impact the Group's financial performance, cash flows and financial position.

The consolidated financial statements has been prepared on a going concern basis, which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities taking into consideration the following assumptions:

- The Group had positive operating cash flows of KD 62,625 for the year ended 2020.
- The Group has access to a sufficient variety of sources of funding and has a reasonable expectation that debt maturing within 12 months can be rolled over with existing lenders.
- The Group has not defaulted on its contractual payments of Tawarruq and murabaha facilities during the year ended 2020.
- The Group maintains sufficient cash to meet liquidity needs in the event of an unforeseen interruption in cash flows.
- The Group has taken and will take a number of measures to monitor and prevent the effects of the COVID-19 virus through compensating cost saving measures and reductions to discretionary capital expenditure.

As described above, management has a reasonable expectation that the Group has taken measures and has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the interim condensed consolidated financial information has been prepared on a going concern basis.

4 NET INVESTMENT INCOME FROM FINANCIAL ASSETS

	2020 ***KD***	*2019* *KD*
Dividend income	**-**	6,000
Income from investment deposits and others	**76,898**	152,960
	76,898	158,960

5 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit/loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the profit/loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2020	*2019*
Profit (loss) for the year attributable to equity holders of the Parent Company (KD)	**(4,929,667)**	1,658,586
Weighted average number of shares outstanding during the year (excluding treasury shares)	**176,650,515**	179,074,921
Basic and diluted EPS (fils)	**(27.91)**	9.26

6 INVESTMENT PROPERTIES

	2020	*2019*
	KD	*KD*
At 1 January	**19,935,584**	15,673,094
Capital expenditure	**8,021**	8,550
Arising on business combination	**-**	5,119,550
Exchange differences	**-**	669,227
Changes in fair value [1]	**(2,031,582)**	(1,534,837)
At 31 December	**17,912,023**	19,935,584

The Group's investment properties are located in the following geographical locations:

	2020	*2019*
	KD	*KD*
Kuwait	**9,650,000**	9,750,000
Other MENA countries	**8,262,023**	10,185,584
	17,912,023	19,935,584

Investment properties amounting to KD 9,650,000 (2019: KD 9,750,000) are pledged as security to fulfill collateral requirements of certain bank borrowings. (Note 14).

[1] The valuation of the investment properties of KD 17,912,023 (2019: KD 18,106,386), comprising of residential properties, were performed by two independent valuers with recognised and relevant professional qualification and recent experience of the location and category of investment properties being valued. Fair value of the investment properties is arrived at by using the market comparison approach. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decrease of KD 202,384 compared to its carrying values as at 31 December 2020 (2019: decrease of KD 27,380).

Investment properties include an amount of KD Nil (2019: KD 1,829,198) representing the cost of construction of one hotel located in the Kingdom of Saudi Arabia which is leased in the ordinary course of business.

During the year, this property was revalued by an independent valuer resulting in revaluation loss of KD 1,829,198 (2019: KD 1,507,457). The fair value is determined based on a discounted cash flow method, using contractually fixed cash flows for remaining life of the lease contract and discount rate of 12.34%. This property is classified in level 3 of fair value hierarchy.

The significant unobservable inputs used in the fair value measurement categorised within level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis at 31 December 2020 and 2019 are disclosed in Note 24.2

7 INVESTMENT IN ASSOCIATES

Details of the Group's associates are as follows:

	2020	*2019*
	KD	*KD*
Hajar Tower Real Estate Company – K.S.C. (Closed) – ("Hajar")	**1,843,618**	2,880,465
Rawahel Holding Company K.S.C. (Closed) – ("Rawahel")	**1,680,982**	3,135,874
	3,524,600	6,016,339

The Group's equity interest in the above entities is less than 20% of the voting rights; however, the Group has determined that it has significant influence over these entities because it has meaningful representation on the board of the investee.

The above associates are private entities that are not listed on any stock exchange; therefore, no quoted market prices are available for its shares.

The associates had no contingent liabilities or capital commitments as at 31 December 2019 or 2020.

7 INVESTMENT IN ASSOCIATES (continued)

Impairment of associates

The management has carried out the assessment of Group's investment in associates to identify any indicators of impairment. The management has considered factors such as changes in the investee's financial condition, any significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business. Reviews for indicators of impairment and any resulting tests for impairment of the investment in associates have been performed as at the annual reporting date, 31 December 2020.

Based on management's assessment, impairment indicators were noted, accordingly, the management determined the recoverable amount, based on value in use method, which exceeds the carrying value of the Group's investment in associates.

A reconciliation of the above summarised financial information to the carrying value of the associates is set out below:

	Hajar	***Rawahel***	***Total 2020***	*Total 2019*
	KD	***KD***	***KD***	*KD*
Reconciliation of carrying amounts:				
Opening net assets 1 January	**2,880,465**	**3,135,874**	**6,016,339**	8,904,801
Share of (loss) profit	**(1,036,847)**	**(1,347,532)**	**(2,384,379)**	424,643
Exchange differences	**-**	**13,065**	**13,065**	(69,788)
Arising on business combination	**-**	**-**	**-**	(3,243,317)
Dividends received	**-**	**(120,425)**	**(120,425)**	**-**
At 31 December	**1,843,618**	**1,680,982**	**3,524,600**	6,016,339

7 INVESTMENT IN ASSOCIATES (continued)

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts.

	Hajar		*Rawahel*		*Total*	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Current assets	**18,600,571**	24,921,522	**3,026,872**	4,769,698	**21,627,443**	29,691,220
Non-current assets	**32,245,747**	33,576,957	**30,135,894**	28,510,299	**62,381,641**	62,087,256
Current liabilities	**(32,767,835)**	(27,763,526)	**(10,259,593)**	(3,644,777)	**(43,027,428)**	(31,408,303)
Non-current liabilities	**(16,587,869)**	(12,732,046)	**(13,829,987)**	(12,709,184)	**(30,417,856)**	(25,441,230)
Equity	**1,490,614**	18,002,907	**9,073,186**	16,926,036	**10,563,800**	34,928,943
Group's share in equity %	**16%**	16%	**18.53%**	18.53%	**-**	-
Group's share in equity	**238,498**	2,880,465	**1,680,982**	3,135,874	**1,919,480**	6,016,339
Dividend declared but not paid	**1,605,120**	-	**-**	-	**1,605,120**	-
Group's carrying amount	**1,843,618**	2,880,465	**1,680,982**	3,135,874	**3,524,600**	6,016,339
Revenue	**2,695,248**	18,102,058	**1,822,829**	10,408,592	**4,518,077**	28,510,650
(Loss) profit	**(6,480,293)**	3,795,016	**(7,273,373)**	(985,375)	**(13,753,666)**	2,809,641
Other comprehensive income / (loss)	**-**	-	**13,065**	(69,788)	**13,065**	(69,788)
Dividends received from associate	**-**	-	**120,425**	-	**120,425**	-
Group's share of results for the year	**(1,036,847)**	607,203	**(1,347,532)**	(182,560)	**(2,384,379)**	424,643

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 ***KD***	*2019* *KD*
Financial assets at fair value through other comprehensive income:		
Local unquoted equity investments	**60,632**	60,632
Foreign unquoted equity investments	**1,063,283**	1,047,540
	1,123,915	1,108,172

The hierarchy for determining and disclosing the fair values of financial investments by valuation techniques is presented in Note 24.1.

9 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2020 ***KD***	*2019* *KD*
Financial assets		
Trade receivables (gross)	**646,319**	664,524
Expected credit loss	**(288,178)**	(54,030)
Trade receivables (net)	**358,141**	610,494
Other receivables *	**792,784**	953,978
	1,150,925	1,564,472
Non-financial assets		
Prepayments	**253,404**	501,411
	1,404,329	2,065,883

The net carrying value of trade receivables is considered reasonable approximation of fair value.

Note 22.2 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

Set out below is the movement for expected credit losses of trade receivables:

	2020 ***KD***	*2019* *KD*
Opening provision for impairment of trade receivables	**54,030**	36,696
Allowance recognised in profit or loss during the year	**234,148**	17,334
At 31 December	**288,178**	54,030

The maximum exposure to credit risk exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

* Other receivables include an amount of KD 770,981 (2019: KD 890,359) placed by the Group with a third party related to the purchase of a property. On 29 February 2012, the Group entered into an agreement with the counterparty to receive fixed rental income of KD 516,000 over a period of 42 months and the principal would be repaid at maturity on 31 August 2015. The terms of the agreement provided the third party with an option to repurchase the property by making early repayments at any point of time during the tenure of the agreement. On 1 September 2015, the third party repurchased the property and thereby extended the tenor of the repayment (i.e. KD 2,450,000) over the next two years.

On 29 November 2019, the Group renewed the repurchase agreement and extended the tenor of the remaining repayment amount of KD 1,587,000 payable in monthly instalments of KD 50,000 over the remaining period of 30 months with a final maturity on July 2021. Accordingly, the Group classified an amount of KD 770,981 (2019: KD 549,378) as current and KD Nil (2019: KD 340,981) as non-current.

10 INVESTMENT DEPOSITS

These represent deposits placed with local and foreign banks having original maturity period of more than three months. Deposits with local banks carry an average rate of return of 1.50 % (2019: 2.875%) per annum and deposits with foreign banks carry an average rate of return of 8.75 % (2019: 12.75%) per annum.

11 SHARE CAPITAL AND SHARE PREMIUM

(a) Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2020	*2019*	***2020***	*2019*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**179,429,890**	179,429,890	**17,942,989**	17,942,989

(b) Share premium

The share premium is not available for distribution.

The AGM of the Parent Company's shareholders held on 22 June 2020 approved the consolidated financial statements of the Group for the year ended 31 December 2019 and also approved the Board of Directors' proposal to distribute cash dividends of 5 fils per share amounting to KD 881,364 (2018: Nil) and Parent Company's directors' remuneration of KD 40,000 (2018: Nil) for the year then ended.

12 RESERVES

12.1 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit attributable to the equity holders of the Parent Company for the year, before contribution to KFAS, NLST, Zakat and directors' remuneration shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital.

The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

12.2 Voluntary reserve

In accordance with Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, a maximum of 10% of the profit for the year attributable to the shareholders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration should be transferred to the voluntary reserve subject to Board of Directors' approval.

13 TREASURY SHARES

	2020	*2019*
Number of treasury shares	**3,157,188**	963,405
Percentage of treasury shares (%)	**1.75%**	0.54%
Cost of treasury shares (KD)	**209,965**	74,944
Market value of treasury shares (KD)	**183,117**	74,760
Weighted average market value per treasury share (fils)	**58**	77

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

14 TAWARRUQ AND MURABAHA FACILITIES

	2020 ***KD***	*2019* *KD*
Tawarruq and murabaha facilities	**3,092,287**	3,731,452
Less: deferred finance costs	**(384,882)**	(517,834)
	2,707,405	3,213,618
Current	**669,072**	602,576
Non-current	**2,038,333**	2,611,042
	2,707,405	3,213,618

Tawarruq and murabaha facilities aggregating to KD 2,707,405 (2019: KD 3,213,618) are secured against investment properties (Note 6).

Tawarruq and murabaha facilities are all denominated in KD and carry an effective profit rate in the range of 5.00 % to 6.26% (2019: 5.00 % to 6.26%).

15 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2020 ***KD***	*2019* *KD*
Accounts payable	**217,523**	87,738
Accrued expenses	**1,642,063**	1,850,965
Dividends payable	**128,722**	134,374
Unearned revenue	**1,205,709**	1,598,194
	3,194,017	3,671,271

16 LEASES

Group as a lessee
The Group has lease contracts for various items of property used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of property with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	2020 ***KD***	*2019* *KD*
At 1 January	**573,480**	930,683
Depreciation expense	**(354,925)**	(357,203)
Right-of-use assets as at 31 December	**218,555**	573,480

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020 ***KD***	*2019* *KD*
At 1 January	**356,956**	930,683
Finance cost on lease liabilities	**14,726**	-
Payments	**(27,282)**	(573,727)
Lease liabilities as at 31 December	**344,400**	356,956

16 LEASES (continued)

	2020	*2019*
	KD	*KD*
Lease liabilities		
Current	**344,400**	344,400
Non-current	**-**	12,556
Lease liabilities as at 31 December	**344,400**	356,956

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 6%.

The maturity analysis of lease liabilities is disclosed in Note 22.3.

The following are the amounts recognised in profit or loss:

	2020	*2019*
	KD	*KD*
Depreciation expense of right-of-use assets	**354,925**	357,203
Expense relating to short-term leases (included in administrative expenses)	**50,781**	56,126
Finance cost on lease liabilities	**14,726**	-
Total amount recognised in profit or loss	**420,432**	413,329

17 MATERIAL PARTLY-OWNED SUBSIDIARY

The Group has concluded that The Spot Real Estate Company ("Spot") is the only subsidiary with non-controlling interests that are material to the Group. Financial information of Spot is provided below:

Proportion of equity interest held by non-controlling interest:

Name of company	***Country of incorporation and operation***	***2020***	*2019*
Spot	Egypt	**35**%	35**%**

	Accumulated balances of material non-controlling interest		*Profit allocated to material non-controlling interest*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Spot	**1,916,732**	1,854,276	**(40,783)**	522

The summarised financial information of this subsidiary, based on amounts before inter-company eliminations, is provided below.

Summarised statement of comprehensive income

	2020	*2019*
	KD	*KD*
Revenue	**175,464**	249,371
(Loss) profit for the year	**(116,523)**	1,491
Other comprehensive income	**-**	-
Total comprehensive loss	**(116,523)**	1,491
Attributable to non-controlling interest	**(40,783)**	522

17 MATERIAL PARTLY-OWNED SUBSIDIARY (continued)

Summarised statement of financial position

	2020 *KD*	*2019* *KD*
Current assets	351,440	402,899
Non-current assets	5,748,226	5,749,610
Total assets	**6,099,666**	6,152,509
Current liabilities	623,289	560,249
Total liabilities	**623,289**	560,249
Total equity	**5,476,377**	5,592,260
Attributable to:		
Equity holders of the Parent Company	**3,559,645**	3,737,984
Non-controlling interests	**1,916,732**	1,854,276

Summarised statement of cash flows

	2020 *KD*	*2019* *KD*
Operating activities	**27,212**	71,036
Investing activities	**(3,470)**	(46,550)
Financing activities	**-**	-
Net increase in cash and cash equivalents	**23,742**	24,486

18 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholder, directors and key management personnel of the Group, and companies of which they 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 Parent Company's management.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

Consolidated statement of financial position:	*2020* *KD*	*2019* *KD*
Amounts due from related parties		
Associates	**-**	13,332
Amounts due to related parties		
Associates	**256,850**	262,330
Other related parties	**-**	8,100
	256,850	270,430

Transactions with key management personnel

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

	2020 *KD*	*2019* *KD*
Key management compensation:		
Salaries and short term benefits	**238,521**	159,859
Employees' end of service benefits	**49,910**	20,818
	288,431	180,677

18 RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties
Transactions with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, interest free and repayable on demand. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recorded any allowance for expected credit losses relating to amounts owed from related parties (2019: KD Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

19 DISTRIBUTIONS MADE AND PROPOSED

	2020	*2019*
	KD	KD
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2020: Nil fils per share (2019: 5 fils per share)	-	892,332

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

20 SEGMENT INFORMATION

The Group's primary basis for segmental reporting is by business segments which is subject to risks and rewards that are different from those of other segments. The business segments comprises of:

- *Real estate activities* – Investments in real estate properties either by way of purchase, sale, development and renting of residential and commercial properties (including land and land development) in various geographical locations.

- *Haj and Umrah services* – Ticketing, travel and logistic services relating to Haj and Umrah.

- *Investment activities* **-** Establishing companies in Kuwait and aboard, lending to subsidiaries and associates and investing excess cash flows in investments managed by specialized financial institutions.

The Board of Directors monitors the operating results of each business segment separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. Accordingly, during the year the management has changed the segmental information based on their business segments as follows:

20 SEGMENT INFORMATION (continued)

	31 December 2020				*31 December 2019*			
	Real estate activities KD	***Hajj & Umrah services KD***	***Investment activities KD***	***Total KD***	*Real estate activities KD*	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
Rental income	**1,382,479**	**-**	**-**	**1,382,479**	3,264,666	-	-	3,264,666
Valuation losses from investment properties	**(1,929,198)**	**-**	**(102,384)**	**(2,031,582)**	(1,507,457)	-	(27,380)	(1,534,837)
Net investment income from financial assets	**66,057**	**-**	**10,841**	**76,898**	80,784	-	78,176	158,960
Share of results of associates	**(1,036,847)**	**(1,347,532)**	**-**	**(2,384,379)**	607,203	(182,560)	-	424,643
Net foreign exchange differences	**-**	**-**	**200**	**200**	(1,864)	-	86	(1,778)
Reversal of provisions no longer required	**-**	**-**	**-**	**-**	846,303	-	740,153	1,586,456
Other income	**59,205**	**-**	**12,232**	**71,437**	106,140	36	918	107,094
Total income	**(1,458,304)**	**(1,347,532)**	**(79,111)**	**(2,884,947)**	3,395,775	(182,524)	791,953	4,005,204
Staff costs	**(108,703)**	**-**	**(486,001)**	**(594,704)**	(117,092)	-	(526,320)	(643,412)
Administrative expenses	**(96,928)**	**(8,183)**	**(121,214)**	**(226,325)**	(171,410)	(10,451)	(206,225)	(388,086)
Real estate expense	**(369,202)**	**-**	**-**	**(369,202)**	(419,051)	-	-	(419,051)
Amortisation of leasehold prepayment	**(164,579)**	**-**	**-**	**(164,579)**	(164,579)	-	-	(164,579)
Finance costs	**(148,478)**	**-**	**(6,044)**	**(154,522)**	(83,032)	-	(95,710)	(178,742)
Depreciation expense:								
- Furniture and equipment	**(10,206)**	**-**	**(1,002)**	**(11,208)**	(12,409)	-	(1,263)	(13,672)
- Right-of-use assets	**(354,925)**	**-**	**-**	**(354,925)**	(357,203)	-	-	(357,203)
Expected credit losses on trade receivables	**(234,148)**	**-**	**-**	**(234,148)**	(17,334)	-	-	(17,334)
Taxation of overseas subsidiaries	**(4,618)**	**-**	**-**	**(4,618)**	(6,827)	-	-	(6,827)
KFAS, NLST, Zakat and directors' remuneration	**-**	**-**	**-**	**-**	(40,782)	-	(96,737)	(137,519)
Total expenses and other charges	**(1,491,787)**	**(8,183)**	**(614,261)**	**(2,114,231)**	(1,389,719)	(10,451)	(926,255)	(2,326,425)
(Loss) profit for the year	**(2,950,091)**	**(1,355,715)**	**(693,372)**	**(4,999,178)**	2,006,056	(192,975)	(134,302)	1,678,779

20 SEGMENT INFORMATION (continued)

	Real estate activities KD	*Hajj & Umrah services KD*	*Investment activities KD*	*Total KD*
31st December 2020				
Segment assets	**21,213,088**	**1,692,215**	**3,505,504**	**26,410,807**
Segment liabilities	**5,770,262**	**57,197**	**1,014,643**	**6,842,102**
31 December 2019				
Segment assets	25,674,413	3,143,503	4,532,248	33,350,164
Segment liabilities	6,621,861	48,470	1,136,059	7,806,390

21 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITES

	1 January 2020 KD	*Cash flows KD*	*Others KD*	*31 December 2020 KD*
Tawarruq and murabaha payables	**3,213,618**	**(639,965)**	**133,752**	**2,707,405**

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's achieving profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance and analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

22.1 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as foreign exchange rates, interest rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.1 Market risk (continued)

a) Profit rate risk
Profit rate risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market profit rate.

b) Equity price risk
The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) (Note 11). The Group's non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's senior management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to unquoted equity investments at fair value was KD 1,123,915 (2019: KD 1,108,172). Sensitivity analysis of these investments have been provided in Note 24.1.

c) Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange risk is managed on the basis of limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements.

The table below indicates the Group's foreign currency exposure at 31 December, as a result of its monetary assets and (liabilities).

	2020	*2019*
	KD	*KD*
Saudi Riyal (SAR)	**(594,377)**	(782,718)
Egyptian Pounds (EGP)	**380,366**	1,089,201
	(214,011)	306,483

The analysis calculates the effect of a reasonably possible movement of the KD currency rate against the Saudi Riyal (SAR) and Egyptian Pound (EGP), with all other variables held constant, on the consolidated statement of profit or loss (due to the fair value of currency sensitive assets and liabilities).

	Change in currency rate (+/-)	***Net effect on profit (+/-)***	
		2020	*2019*
		KD	*KD*
Currency			
SAR	**5%**	**83,539**	91,513
EGP	**5%**	**19,018**	54,460

22.2 Credit risk
Credit risk is the risk that one counter-party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

The Group is exposed to credit risk on its bank balances and investment deposits, amounts due from related parties and trade and other receivables.

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Credit risk (continued)

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

	2020 KD	*2019 KD*
Accounts receivable and other assets	**1,150,925**	1,564,472
Amounts due from related parties	**-**	13,332
Investment deposits	**1,754,965**	2,511,875
Bank balances	**429,598**	1,130,269
	3,335,488	5,219,948

The maximum credit exposure to a single counter party as of 31 December was KD 1,550,000 (2019: KD 1,700,000).

Information on other significant concentrations of credit risk is as follows:

	Domestic KD	***International KD***	***Total KD***
At 31 December 2020			
Accounts receivable and other assets	**777,806**	**373,119**	**1,150,925**
Investment deposits	**1,550,000**	**204,965**	**1,754,965**
Bank balances	**396,128**	**33,470**	**429,598**
	2,723,934	**611,554**	**3,335,488**
At 31 December 2019			
Accounts receivable and other assets	965,066	599,406	1,564,472
Amount due from related parties	13,332	-	13,332
Investment deposits	2,050,000	461,875	2,511,875
Bank balances	918,837	211,432	1,130,269
	3,947,235	1,272,713	5,219,948

Bank balances and investment deposits
Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Amounts due from related parties
With respect to amounts due from related parties, the Group has assessed its related parties to have low credit risk based on its strong liquidity position to meet its contractual cash flow obligations in the near term. Accordingly, the Group does not expect to incur any significant credit losses on amounts owed by its related parties.

Trade and other receivables
The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements.

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts.

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.3 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk is managed by the senior management of the Parent Company. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	Up to 1 month KD	*1-3 months KD*	*3-12 months KD*	*Over 1 year KD*	*Total KD*
As at 31 December 2020					
Accounts payable and other liabilities	**-**	**229,993**	**1,758,315**	**-**	**1,988,308**
Amounts due to related parties	**685**	**1,000**	**255,165**	**-**	**256,850**
Tawarruq and murabaha facilities	**91,280**	**188,749**	**492,166**	**2,320,092**	**3,092,287**
Lease liabilities	**-**	**344,400**	**-**	**-**	**344,400**
Total undiscounted liabilities	**91,965**	**764,142**	**2,505,646**	**2,320,092**	**5,681,845**
As at 31 December 2019					
Accounts payable and other liabilities	-	100,209	1,972,868	-	2,073,077
Amounts due to related parties	8,945	9,949	251,536	-	270,430
Tawarruq and murabaha facilities	61,281	122,562	551,528	2,996,081	3,731,452
Lease liabilities	-	-	344,400	12,556	356,956
Total undiscounted liabilities	70,226	232,720	3,120,332	3,008,637	6,431,915

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

23 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maximise shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital on the basis of the gearing ratio, and is calculated as net debt by total capital plus net debt. The Group includes within net debt, Tawarruq and Murabaha payables less balances with banks and investment deposits. Capital represents equity attributable to the equity holders of the Parent Company.

23 CAPITAL MANAGEMENT (continued)

	2020	*2019*
	KD	*KD*
Tawarruq and Murabaha payables	**2,707,405**	3,213,618
Less: Cash and bank balances	**(429,598)**	(1,130,269)
Less: Investment deposits	**(1,754,965)**	(2,511,875)
Net debt (assets)	**522,842**	(428,526)
Equity attributable to shareholders of the Parent Company	**17,325,375**	23,333,361
Capital and net debt	**17,848,217**	22,904,835
Gearing ratio	**2.93%**	(1.87%)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

24 FAIR VALUE MEASUREMENT

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 **-** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

24.1 Financial instruments

The fair value of unquoted investments at fair value through other comprehensive income at 31 December 2020 amounting to KD 1,123,915 (2019: KD 1,108,172) is categorised within level 3 of the fair value hierarchy.

There were no transfers between any levels of the fair value hierarchy during 2020 or 2019.

Valuation techniques

The Group invests in equity of companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. This approach utilises price multiples of relevant sectors. The discounted multiple is applied to the corresponding relevant measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as level 3.

For all other financial assets and liabilities, management assessed that the carrying value is a reasonable approximation of fair value.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

31 December 2020	***Financial assets at FVOCI KD***
As at 1 January 2020	**1,108,172**
Remeasurement recognised in OCI	**15,743**
Purchases / sales (net)	**-**
As at 31 December 2020	**1,123,915**

24 FAIR VALUE MEASUREMENT (continued)

24.1 Financial instruments (continued)

31 December 2019	*Financial assets at FVOCI KD*
As at 1 January 2019	1,155,685
Remeasurement recognised in OCI	42,706
Purchases / sales (net)	(90,219)
As at 31 December 2019	1,108,172

Description of significant unobservable inputs to valuation of financial assets:
The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis are as shown below:

FVOCI	*Valuation technique*	*Significant unobservable inputs*	*Sector average*	*Sensitivity of the input to fair value*
Unquoted securities	Market approach	Sector PBV multiple	0.99	10% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD (30,781) (2019: KD (160,681))
		DLOM	30%	10% increase / (decrease) in the DLOM would result in an (decrease) / increase in fair value by KD 87,946 (2019: KD 56,238)

* Discount for lack of marketability ("DLOM") represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

24.2 Non-financial instruments

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) KD	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*	*Total KD*
2020				
Investment properties	**-**	**17,912,023**	**-**	**17,912,023**
2019				
Investment properties	-	18,106,386	1,829,198	19,935,584

Valuation techniques
Investment properties
The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 '*Fair Value Measurement*' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment property using the income capitalization method included within Level 3.

24 FAIR VALUE MEASUREMENT (continued)

24.2 Non-financial instruments (continued)

Description of significant unobservable inputs to valuation of non-financial assets:
The following table shows a reconciliation of the opening and closing amount of level 3 of non- financial assets which are recorded at fair value:

	At 1 January KD	*Remeasurement adjustment KD*	*At 31 December KD*
31 December 2020			
Investment properties	**1,829,198**	**(1,829,198)**	**-**
31 December 2019			
Investment properties	3,336,655	(1,507,457)	1,829,198

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

25 COMMITMENTS AND CONTINGENCIES

Capital commitments
The Group has no capital commitments at the reporting date (2019: Nil).

Legal claim contingency
The Group operates in the real estate industry and is subject to legal disputes with tenants in the normal course of business. Management does not believe that such proceedings will have a material effect on its results and financial position.

26 IMPACT OF COVID-19 OUTBREAK

The COVID-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a ‘pneumonia of unknown cause’ were identified in Wuhan, the capital of China’s Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a ‘Public Health Emergency of International Concern’. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic.

The measures to slow the spread of COVID-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The COVID-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

As a result, the Group considered the impact of COVID-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of COVID-19 resulted in the application of further judgement within those areas.

Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group’s assets and liabilities may arise in the future.

26 IMPACT OF COVID-19 OUTBREAK (continued)

Trade, lease and other receivables
The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Impairment of non-financial assets
As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Fair value measurement of investment properties
The market disruption caused by the COVID-19 pandemic resulted in a reduction in transactional evidence and market yields, and accordingly, there is an increased risk that the price realised in an actual transaction would differ from the value conclusion arrived by the valuers.

The highly uncertain economic outlook for the period may have a material adverse effect on the tenants' operations, the viability of their business and their ability to meet their rental obligations. This uncertainty is factored into the valuation of investment property, specifically in estimating rent payments from existing tenants, the void periods, occupancy rates, expected market rental growth rates and the discount rate, all of which are significant inputs into the fair value determination. As a result of this increased uncertainty, the assumptions may be revised significantly in 2021.

Government assistance
In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the current year, the Group received an aggregate amount of KD 15,780. The financial support is accounted for in accordance with IAS 20 '*Accounting for Government Grants and Disclosures of Government Assistance*' and recognised in profit or loss in 'other income' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs. . There is no outstanding balance of deferred income or receivable related to this grant as at 31 December 2020.

Going concern assessment
There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the period. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been prepared on a going concern basis.

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