Consolidated financial statements and independent auditor's report

Sanam Real Estate Company – KPSC and Subsidiary

Kuwait

31 December 2020

Contents

Grant Thornton
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Independent auditor's report

To the shareholders of
Sanam Real Estate Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sanam Real Estate Company - KPSC (the "Parent Company") and its Subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a 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 (IESBA Code), and we have fulfilled our 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 period. 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.

Valuation of investment properties

The Group's investment properties represent 29% of the total assets and is accounted for at fair value. The valuation of investment properties is a judgement area requiring number of assumptions including estimated rental revenues, capitalization yields, historical transactions, market knowledge and occupancy rates. The Group's policy is that property valuations are performed at year end by independent valuators, who are non-related to the Group, and they are licensed valuators and have the required qualifications and experiences. Given the fact that the fair values of the investment properties represent a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter.

Our audit procedures included, among others, assessing the appropriateness of the ways and means of valuation and inputs used in the valuation. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties. We furthermore assessed that the property related data used as input for the external valuations is consistent with information obtained during our audit.

Independent Auditor's Report to the Shareholders of Sanam Real Estate Company - KPSC and Subsidiary (continued)

Key Audit Matters (continued)

Valuation of financial assets at FVTPL
The Group's financial assets at fair value through profit or loss (FVTPL) include significant unquoted investments. Due to their unique structure and terms, the valuation of these instruments is based either on external independent valuations or on entity-developed internal models. Therefore, there is significant measurement uncertainty involved in valuations. As a result, the valuation of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions.

Our audit procedures included agreeing carrying value of the unquoted securities to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

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 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 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.

Independent Auditor's Report to the Shareholders of Sanam Real Estate Company - KPSC and Subsidiary (continued)

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.

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

• Identify and assess the risks of material misstatement of the 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, related safeguards.

Independent Auditor's Report to the Shareholders of Sanam Real Estate Company - KPSC and Subsidiary (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 period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the 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, and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, 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 and its Executive Regulations nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

We further report, to the best of our knowledge and belief, no violations of provisions of the Law No. 7 of 2010 regarding Capital Markets Authority ("CMA") and its relevant regulations have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

Hend Abdullah Al Surayea
License no. 141 A
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
23 March 2021

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 Dec 2020 KD	(Restated) Year ended 31 Dec 2019 KD
Income			
Rental income		**196,680**	31,107
Change in fair value of investment in real estate portfolio		**(62,273)**	139,514
Change in fair value of investment properties		**(81,473)**	-
Dividend from financial assets at fair value through profit or loss		**61,166**	94,705
Change in fair value of financial assets at FVTPL		**(87,906)**	449,216
Realised (loss)/gain from sale of financial assets at FVTPL		**(93,577)**	179,258
Interest and other income		**25,252**	52,350
		(42,131)	946,150
Expenses and other charges			
Staff costs		**77,119**	107,683
General, administrative and other expenses		**95,619**	161,943
Amortization expenses	8	**137,332**	137,332
Depreciation expenses		**733**	675
Provision for doubtful debts		**372,000**	301,929
Finance costs		**67,613**	-
		750,416	709,562
(Loss)/profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labour Support Tax (NLST), Zakat and Board of Directors' remuneration		**(792,547)**	236,588
Provision for NLST		**-**	57
Provision for Zakat		**-**	23
(Loss)/profit for the year		**(792,547)**	236,508
Other comprehensive income		**-**	-
Total comprehensive (loss)/profit for the year		**(792,547)**	236,508
Basic and diluted (loss)/earnings per share attributable to shareholders of the Parent Company (fils)	7	**(6.53)**	1.95

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD	(Restated) 1 Jan. 2019 KD
Assets				
Non-current assets				
Property and equipment		**1,743**	1,298	1,973
Right of use of land	8	**2,616,898**	2,754,230	2,890,986
Investment properties	9	**3,141,498**	-	-
Investment in real estate portfolio	10	**1,209,249**	1,271,522	1,132,008
Financial assets at fair value through other comprehensive income	11	**498,834**	498,880	498,937
		7,468,222	4,525,930	4,523,904
Current assets				
Trading properties	12	**-**	481,841	481,222
Accounts receivable and other assets	13	**2,303**	312,155	607,019
Financial assets at fair value through profit or loss	14	**2,781,961**	3,465,982	3,317,669
Cash and cash equivalents	15	**558,272**	1,183,468	791,853
		3,342,536	5,443,446	5,197,763
Total Assets		**10,810,758**	9,969,376	9,721,667
Equity and liabilities				
Equity				
Share capital	16	**12,218,500**	12,218,500	12,218,500
Share premium	16	**184,196**	184,196	184,196
Treasury shares	17	**(184,196)**	(184,196)	(184,196)
Treasury shares reserve		**23,215**	23,215	23,215
Accumulated losses		**(3,205,359)**	(2,412,812)	(2,649,320)
Total equity		**9,036,356**	9,828,903	9,592,395
Liabilities				
Non-current liabilities				
Provision for employees' end of service benefits		**40,583**	49,452	42,913
		40,583	49,452	42,913
Current liabilities				
Due to bank	19	**1,672,919**	-	-
Accounts payable and other liabilities		**60,900**	91,021	86,359
		1,733,819	91,021	86,359
Total Liabilities		**1,774,402**	140,473	129,272
Total Equity and Liabilities		**10,810,758**	9,969,376	9,721,667

Ali Abdulaziz Alnemash
Chairman

Shaker Hashem Alalawi
Acting CEO

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Accumulated losses KD	Total KD
Balance at 1 January 2020	**12,218,500**	**184,196**	**(184,196)**	**23,215**	**(2,412,812)**	**9,828,903**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(792,547)**	**(792,547)**
Balance at 31 December 2020	**12,218,500**	**184,196**	**(184,196)**	**23,215**	**(3,205,359)**	**9,036,356**
Balance at 31 December 2018	12,218,500	184,196	(184,196)	23,215	(2,758,343)	9,483,372
Prior year adjustment (note 26)	-	-	-	-	109,023	109,023
Balance at 1 January 2019 (restated)	12,218,500	184,196	(184,196)	23,215	(2,649,320)	9,592,395
Total comprehensive income for the year	-	-	-	-	236,508	236,508
Balance at 31 December 2019 (restated)	12,218,500	184,196	(184,196)	23,215	(2,412,812)	9,828,903

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec 2020 KD	(Restated) Year ended 31 Dec 2019 KD
OPERATING ACTIVITIES			
(Loss)/profit for the year		**(792,547)**	236,508
Adjustments:			
Dividend from financial assets at fair value through profit or loss		**(61,166)**	(94,705)
Change in fair value of investment in real estate portfolio		**62,273**	(139,514)
Change in fair value of investment properties		**81,473**	-
Amortization expenses		**137,332**	137,332
Depreciation expenses		**733**	675
Provision for doubtful debts		**372,000**	301,929
Finance costs		**67,613**	-
Provision for employees' end of service benefits		**6,539**	6,539
		(125,750)	448,764
Changes in operating assets and liabilities:			
Accounts receivable and other assets		**(62,102)**	(7,008)
Accounts payable and other liabilities		**(30,121)**	4,662
Employees' end of service benefits paid		**(15,408)**	-
Net cash (used in)/from operating activities		**(233,381)**	446,418
INVESTING ACTIVITIES			
Net movement in financial assets at fair value through profit or loss		**684,021**	(148,313)
Additions for right of use land		**-**	(576)
Additions for trading properties		**-**	(619)
Purchase of investment property		**(2,741,130)**	-
Purchase of property and equipment		**(1,178)**	-
Dividend received		**61,166**	94,705
Net cash used in investing activities		**(1,997,121)**	(54,803)
FINANCING ACTIVITIES			
Increase in restricted cash	15	**(39,604)**	(506,744)
Increase in due to bank		**1,672,919**	-
Finance costs paid		**(67,613)**	-
Net cash from/(used in) financing activities		**1,565,702**	(506,744)
Net decrease in cash and cash equivalents		**(664,800)**	(115,129)
Cash and cash equivalents at the beginning of the year	15	**676,724**	791,853
Cash and cash equivalents at the end of the year	15	**11,924**	676,724

The notes set out on pages 9 to 40 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

Sanam Real Estate Company – KPSC ("the Parent Company") was incorporated in 1982 as a Kuwaiti public shareholding company in accordance with the provisions of the Companies Law in the State of Kuwait.

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

The Group comprises the Parent Company and its Subsidiary (collectively referred to as "the Group"). The details of the subsidiary are described in Note 6.

The principle activities of the Parent Company are as follows:

- Buy and sell land and property management, leasing and rental properties for the Parent Company, owning and managing hotels, health clubs and tourist facilities, hotels, clubs, motels and guest houses, rest houses, parks, gardens, galleries, restaurants, cafeterias, residential complexes, resorts and health projects and recreational sports, shops, rent, rental and maintenance work related to buildings and property owned by the Parent Company and others.
- Buy and sell stocks, bonds and securities of real estate companies in order to exploit the Parent Company's account and fiscal surpluses of the Parent Company by investing them in financial portfolios managed by specialized companies.
- Preparing studies and providing consultancy in the areas of real estate exhibitions and private real estate projects and the establishment of the Parent Company's real estate auctions and have the commercial markets and residential complexes and management.
- Direct contribution to the development of infrastructure projects and areas of residential, commercial and industrial construction, operating system and transfer the BOT and real estate facilities management system, the BOT.

The address of the Parent Company's registered office is Al Qibla – Area no. 13 – Building 20, Mezzanine 2 – office 1 -Kuwait.

These consolidated financial statements for the year ended 31 December 2020 were authorised for issue by the Parent Company's board of directors on 23 March 2021. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Statement of compliance

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

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 and IAS 8 – Amendments – Definition of Material	1 January 2020
IFRS 3 – Amendments – Definition of Business	1 January 2020
IFRS 16 – Amendments – Covid 19 Rent Related Concessions	1 June 2020

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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

IAS 1 and IAS 8 – Amendments
The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

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

IFRS 3 – Amendments- Definition of Business
The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

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

IFRS 16 – Amendments- COVID19 Rent Related Concessions
IFRS 16 contains specific requirements when accounting for changes to lease payments and rent concessions are in the scope of these requirements. Lessees are required to assess whether rent concessions are lease modifications, and if they are, there is specific accounting to be applied. However, applying these requirements to potentially a significant number of leases could be difficult, particularly from a practical perspective due to pressures resulting from the pandemic.

The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. The relief is only for lessees that are granted these rent concessions. There are no changes for lessors.

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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

IFRS 16 – Amendments- COVID19 Rent Related Concessions (continued)

- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease

The application of the amendments did not have an impact on the Group's consolidated financial statements.

4.2 IASB Standards issued but not yet effective

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

Standard or Interpretation	*Effective for annual periods beginning*
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 – Amendments – Classification of current or non-current	1 January 2023

IAS 16 Amendments - Proceeds before intended use

The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's consolidated financial statements.

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract

The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The amendments are only to be applied to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual period in which it first applies the amendments.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's consolidated financial statements.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. 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.

Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

IAS 1 Amendments - Classification of current or non-current
The amendments to IAS 1 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

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

4.1 Basis of preparation
The consolidated financial statements of the Group have been prepared under historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties and investment in real estate portfolio that have been measured at fair value.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

The Group has elected to present the "consolidated statement of profit or loss and other comprehensive income" in one statement.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.2 Basis of consolidation

The Parent Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the Subsidiary are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group's companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group's companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of Subsidiary have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of Subsidiary acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

4.3 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of profit or loss.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of i) fair value of consideration transferred, ii) the recognised amount of any non-controlling interest in the acquiree and iii) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.4 Rental income
Rental income is recognised on accrual basis.

4.5 Dividend
Dividend income is recognised when the Group's right to receive the payment is established.

4.6 Interest and similar income
Interest and similar income are recognised on accrual basis using the effective interest method

4.7 Operating expenses
Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their occurrence.

4.8 Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.9 Taxation

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

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

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

4.10 Leased assets

The Group as a lessee
For any new contracts entered into on or after 1 January 2020, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.10 Leased assets (continued)

The Group as a lessee (continued)

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Measurement and recognition of leases as a lessee
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

Right-of-use asset
The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group accounts for its right-of-use assets as investment properties carried at fair value. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from either a change in the fair value is immediately recognised in the consolidated statement of profit or loss.

Lease liability
At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.10 Leased assets (continued)

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.,

Rental income from operating leases is recognised on a straight-line basis over lease term. Initial direct cost incurred in arranging and negotiating a lease are added to the carrying amount of the lease assets and recognised on a straight-line basis over the lease term.

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

4.11 Property and equipment

Property and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses, if any. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of properties and equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When asset is sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss.

4.12 Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. 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 the consolidated statement of profit or loss in the period in which they arise. Fair values are estimated by management with the assistance of valuation provided by accredited external valuers.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of profit or loss in the period of derecognition.

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 property and equipment up to the date of change in use.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.13 Investment in real estate portfolio

Investment in real estate portfolio represents the Group's participation in real estate investments with other parties under a portfolio managed by specialised companies. Investment in real estate portfolio is initially recognized at cost of contribution. Subsequent to initial recognition, investment in real estate portfolio is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated statement of profit or loss in the period in which they arise. Fair values are estimated by using portfolio positions obtained by the portfolio manager.

4.14 Trading properties

Trading properties are recorded at the lower of cost and net realizable value. Costs are those expenses incurred in bringing each property to its present condition including the identified finance cost. Net realizable value is based on estimated selling price less any further cost expected to be incurred on completion and disposal.

4.15 Impairment testing of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.16 Financial instruments

4.16.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the 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 risks and rewards of the asset but has transferred control of the asset.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments

4.16.1 Recognition, initial measurement and derecognition (continued)

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 the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises 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.

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

4.16.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

• financial assets at amortised cost
• financial assets at fair value through Other Comprehensive Income (FVTOCI)
• financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

• the entity's business model for managing the financial asset
• the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

• the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4.16.3 Subsequent measurement of financial assets

- ***Financial assets at amortised cost***

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

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

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

The Group's financial assets at amortised cost comprise of the following:

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments

4.16.3 Subsequent measurement of financial assets (continued)

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, cash in portfolios, term deposits and bank balances which are subject to insignificant risk of changes in value.

- *Accounts receivable and other assets*

Accounts receivable and other assets are stated at original amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred

• ***Financial assets at FVTOCI***

The Group's financial assets at FVTOCI comprise equity investments and debt instruments. The equity investments represent investments in shares of various companies and include both quoted and unquoted.

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset (except for equity investments at FVTOCI as detailed below).

Equity investments at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

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

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

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments

4.16.3 Subsequent measurement of financial assets (continued)

- ***Financial assets at FVTPL***

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

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

The Group's financial assets at FVTPL comprise investments in equity instruments.

4.16.4 Impairment of financial assets

All financial assets except for those at FVTPL and equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.16 Financial instruments (continued)

4.16.4 Impairment of financial assets (continued)
If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

4.16.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include borrowings, accounts payable and other liabilities, due to related parties and due to banks.

The subsequent measurement of financial liabilities depends on their classification as follows:

- *Financial liabilities at amortised cost*

These are stated using effective interest rate method. Due to banks, accounts payable and other liabilities, due to related parties, term loans and murabaha payable are classified as financial liabilities other than at FVTPL.

- *Due to banks*

Due to bank are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- *Accounts payable and other liabilities*

Accounts payable and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

4.16 Amortised cost of financial instruments
This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

4.17 Trade and settlement date accounting
All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

4.19 Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.19 Fair value of financial instruments (continued)
For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 24.2.

4.20 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the commercial companies' law and the Parent Company's articles of incorporation.

Other components of equity include the following:
- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD
- Fair value reserve – comprises gains and losses relating to available for sale financial assets

Retained earnings/accumulated losses includes all current and prior period retained profits/losses. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting.

4.21 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

4.22 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for under cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. Treasury shares are not entitled to cash dividends that the Group may distribute. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Notes to the consolidated financial statements (continued)

4 Significant accounting policies (continued)

4.23 Segment reporting

When the treasury shares are reissued, gains are recorded directly in "Treasury shares reserve" in the shareholders' equity. 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 to the voluntary reserve and legal reserve. Subsequent to this, should profits arise from sale of treasury shares an amount is transferred to reserves and retained earnings equal to the loss previously charged to this account.

The Group has two operating segments: the real estate and investment segments. In identifying these operating segments, management generally follows the Group's significant services for each segments. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

4.24 Foreign currency translation

4.24.1 Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.24.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.25 End of service indemnity

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.

5 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments

In the process of applying the Group's accounting policies, management has made the following significant judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.15). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, property under development or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use. And if such properties are under development they are classified under investment properties under development.

5.1.3 Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement

5.1.4 Fair values of assets and liabilities acquired

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

5.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different

5.2.1 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimates uncertainty (continued)

5.2.1 Impairment of financial assets (continued)
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

5.2.2 Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and equipment.

5.2.3 Business combinations
Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

5.2.4 Fair value of financial instruments
Management apply valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5.2.5 Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5.2.6 Revaluation of investment in portfolio position
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The fair value is determined by the portfolio manager with the help of independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6 Investment in subsidiary

Subsidiary	Country of registration and place of business	Ownership		Principle activity
		31 Dec. 2020	31 Dec. 2019	
Fanan Real Estate Company – KSC	Kuwait	**99.67%**	99.67%	Real estate

Notes to the consolidated financial statements (continued)

7 Basic and diluted (loss)/earnings per share attributable to the shareholders of the Parent Company

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to shareholders of the Parent Company by weighted average number of shares outstanding during the year excluding treasury shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	Year ended 31 Dec. 2020	(Restated) Year ended 31 Dec. 2019
(Loss)/profit for the year attributable to shareholders of the Parent Company (KD)	**(792,547)**	236,508
Weighted average number of shares outstanding during the year (excluding treasury shares) (share)	**121,312,400**	121,312,400
Basic and diluted (loss)/earnings per share attributable to shareholders of the Parent Company (Fils)	**(6.53)**	1.95

8 Right of use of land

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Cost		
At beginning of the year	**4,251,521**	4,250,945
Additions during the year	**-**	576
At end of the year	**4,251,521**	4,251,521
Accumulated amortisation		
At beginning of the year	**(1,497,291)**	(1,359,959)
Amortisation for the year	**(137,332)**	(137,332)
At end of the year	**(1,634,623)**	(1,497,291)
Net book value	**2,616,898**	2,754,230

On 10 May 2005, the subsidiary of the Group signed an agreement with the owner of the concession to lease part of a land in Al Jaddaf, Dubai, owned by the Dubai Municipality – Department of Dubai Train. The lease period is 30 years commencing on 9 September 2009. The Group paid an amount of AED105,000,000 (equivalent to KD8,319,004) in full in previous years for the lease.

The cost of this lease is being amortized over the lease period which ends on 9 September 2039.

A reconciliation between the original lease and the net book value is as follows:

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Original lease paid	**8,319,004**	8,319,004
Development costs capitalised	**574,221**	574,221
Accumulated impairment	**(4,641,704)**	(4,641,704)
Accumulated amortisation	**(1,634,623)**	(1,497,291)
Net book value	**2,616,898**	2,754,230

Notes to the consolidated financial statements (continued)

9 Investment properties

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Additions during the year	2,741,130	-
Transferred from trading properties (*)	481,841	
Change in fair value	(81,473)	-
	3,141,498	-

* The Group's management concluded that there is a change in use of a foreign property located in Dubai – United Arab Emirates and, accordingly, the property was transferred from trading properties to investment properties (note 12).

Note 24.3 sets out the measurement basis of fair value of the investment properties.

10 Investment in real estate portfolio

	31 Dec. 2020 KD	Restated 31 Dec. 2019 KD
Outside Kuwait	1,209,249	1,271,522
	1,209,249	1,271,522

The investment in real estate portfolio includes an amount of KD688,133 (2019: KD687,680) which represents Group's 9% share in the ownership of a land located in Kingdom of Saudi Arabia jointly owned by the Group and other investors.

11 Financial assets at fair value through other comprehensive income

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Debt instruments – managed portfolio	498,834	498,880
	498,834	498,880

Debt instruments represent local bonds with a nominal value of KD500,000 and carry annual interest rate of 2.5% above CBK discount rate paid quarterly.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 24.2.

12 Trading properties

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Balance as of 1 January	481,841	481,222
Additions	-	619
Transferred to investment properties (note 9)	(481,841)	-
Balance at 31 December	-	481,841

Notes to the consolidated financial statements (continued)

13 Accounts receivable and other assets

	31 Dec. 2018 KD	(Restated) 31 Dec. 2017 KD
Financial assets:		
Staff receivables	-	1,140
Other receivables	1,053	6,045
	1,053	7,185
Non-financial assets		
Advance payment to purchase properties (*)	813,310	813,310
Prepaid expenses	1,250	4,970
	814,560	818,280
Less: Provision for doubtful debts (*)	(813,310)	(513,310)
	1,250	304,970
	2,303	312,155

* During 2005 and 2006, the Group paid amounts to an individual to purchase a land in Dubai, UAE. However, during 2014, the Group signed an agreement with a real estate developer to replace the land with 9 units under development in Dubai – United Arab Emirates. However, the ownership of these units were not transfer in the name of the Group. Due to the delay in transferring the ownership of the units into the Group's name, management of the Group recognised a provision of KD513,310 against the advance payment in previous years.

On 15 December 2019, the real estate developer communicated in writing to the Group's management informing that they do not have in their records any proof of the Group's ownership to those units, and, accordingly the Board of Directors of the Parent Company decided in their meeting held on 22 December 2020 to fully provide for the remaining balance. The Group is currently consulting with its legal advisors to file a legal case to recover this amount.

14 Financial assets at fair value through profit or loss

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Managed portfolio		
- Quoted securities	1,934,652	2,617,746
- Unquoted securities	822,595	823,522
Unquoted securities	24,714	24,714
	2,781,961	3,465,982

The above portfolio is managed by a related party and is pledged against an overdraft facility (notes 15 and 19).

The hierarchy for determining and disclosing the fair values of financial instruments is presented in Note 24.2.

Notes to the consolidated financial statements (continued)

15 Cash and cash equivalents

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Cash and bank balances	11,924	475,131
Cash in a portfolio	546,348	506,744
Term deposits	-	201,593
Cash and cash equivalents for the purpose of the consolidated statement of financial position	**558,272**	1,183,468
Less: Restricted cash (see below)	**(546,348)**	(506,744)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**11,924**	676,724

The term deposits carried effective interest rate of 2.9375% per annum.

Cash in a portfolio is managed by a related party. The portfolio is pledged against overdraft facility (note 19).

16 Share capital and share premium

At 31 December 2020, the authorized, issued and fully paid up share capital of the Parent Company comprised of 122,185,000 shares of 100 fils each (122,185,000 shares as at 31 December 2019).

The share premium is non-distributable.

17 Treasury shares

	31 Dec. 2020	(Restated) 31 Dec. 2019
Number of treasury shares	**872,600**	872,600
Percentage of ownership (%)	**0.71 %**	0.71%
Market value (KD)	**30,105**	34,904
Cost (KD)	**(184,196)**	(184,196)

Reserves of the Parent Company equivalent to the cost of the treasury shares held are not available for distribution.

18 Reserves

In accordance with the Companies Law and the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) is required to be transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid-up share capital.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

In accordance with the Parent Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to the shareholders of the Parent Company (before contributions to KFAS, NLST, Zakat and directors' remuneration) should be transferred to voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

Notes to the consolidated financial statements (continued)

19 Due to bank

Due to bank represents an overdraft facility obtained from a local bank that matures on 1 July 2021 and carry an annual interest rate of 2.5% (2019: 2.5%) over CBK discount rate and is secured by pledge of the Group's portfolio managed by a related party (notes 14 and 15).

20 Related parties transactions and balances

Related parties represent associates, directors and key management personnel of the Group, major shareholders and companies in which directors and key management personnel of the Parent Company 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.

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

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Amounts included in the consolidated statement of financial position:		
Financial assets at fair value through profit or loss	**2,757,247**	3,442,268
Cash and cash equivalents	**546,348**	506,744

	Year ended 31 Dec. 2020 KD	(Restated) Year ended 31 Dec. 2019 KD
Transactions included in the consolidated statement of profit or loss:		
Portfolio Management fees – included within general and administrative expenses	**(24,779)**	(67,583)
Key management compensation:		
Salaries and short-term benefits	**58,643**	74,663
Employees' end of service benefits	**5,134**	5,584

21 Annual General Assembly

Subsequent to the date of the consolidated statement of financial position, the board of directors have proposed not to distribute any dividend for the year ended 31 December 2020. This proposal is subject to the approval of the general assembly and the regulatory authorities.

The Annual General Assembly of the shareholders of the Parent Company held on 21 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 without dividend.

22 Segmental analysis

The Group operates its activities in real estate and investment segments. The segmental analysis of total income and (loss)/profit for the segments are as follows:

	Investments KD	Real estate KD	Unallocated KD	Total KD
Year ended 31 December 2020:				
Income	(95,065)	35,550	-	(42,131)
Loss for the year	(119,844)	(473,782)	(198,921)	(792,547)
As of 31 December 2020:				
Total assets	3,839,067	6,967,645	4,046	10,810,758
Total liabilities	-	1,672,919	101,483	1,774,402
Net assets	3,839,067	5,294,726	(97,437)	9,036,356

Notes to the consolidated financial statements (continued)

22 Segment analysis (continued)

	Investments KD	Real estate KD	Unallocated KD	Total KD
Year ended 31 December 2019 (restated):				
Income	915,043	31,107	-	946,150
Profit/(loss) for the year	707,946	(268,640)	(202,798)	236,508
As of 31 December 2019 (restated):				
Total assets	5,148,330	4,807,593	13,453	9,969,376
Total liabilities	-	-	140,473	140,473
Net assets	5,148,330	4,807,593	(127,020)	9,828,903

23 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: e.g. market risk, credit risk and liquidity risk.

The board of director's policies for reducing each of the risks are discussed below.

The Group does not use derivative financial instruments based on future speculations.

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

23.1 Market risk

(a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As at the reporting date the Group does not have any significant exposure to foreign currency denominated monetary assets or monetary liabilities and therefore, the Group is not exposed to any significant foreign currency risks.

(b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to term deposits and due to bank.

The following table illustrates the sensitivity of the results for the year to a reasonably possible change in interest rates of +100 bps (1%) and –100 bps (1%) (2019: +100 bps (1%) and –100bps (1%)) with effect from the beginning of the year. The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2020		(Restated) 31 Dec. 2019	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Results for the year	(16,729)	16,729	2,015	(2,015)

(c) Price risk

The Group is exposed to equity price risk with respect to its equity investments and debt instruments. These financial assets are classified either at fair value through profit or loss or at fair value through other comprehensive income.

To manage its price risk arising from investments in securities and debt instruments, the Group diversifies its investment portfolios. Diversification of the portfolio is done in accordance with the limits set by the Group.

Notes to the consolidated financial statements (continued)

23 Risk management objectives and policies (continued)

23.1 Market risk (continued)

(c) Price risk (continued)

The below table shows the sensitivity analysis for the Group with regard to its investment in securities and debt instruments, and it is determined based on possible price risks at the consolidated financial statements date. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If prices of financial securities had been 5% (2019: 5%) higher, the effect on the result for the year and equity would have been as follows.

	Results for the year		Equity	
	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Financial assets at fair value through profit or loss	139,098	173,299	-	-
Financial assets at fair value through other comprehensive income	-	-	24,942	24,944
	139,098	173,299	24,942	24,944

If prices of financial securities had been 5% (2019: 5%) lower, the effect on the results for the year and equity would have been equally the reverse as disclosed above.

23.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy regarding exposure to credit risk requires monitoring these risks on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of clients in specific locations or businesses through diversification of its activities. It also obtains security when appropriate.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the consolidated financial position date, as summarized below:

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Financial assets at fair value through other comprehensive income	498,834	498,880
Financial assets at fair value through profit or loss	2,781,961	3,465,982
Accounts receivable and other assets	1,053	7,185
Cash and cash equivalents	558,272	1,183,468
	3,840,120	5,155,515

The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

The credit risk for bank balances is considered negligible, since the counterparties are financial institution with high credit quality.

Notes to the consolidated financial statements (continued)

23 Risk management objectives and policies (continued)

23.3 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, the Group's 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 liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is as follows:

	1 - 3 months KD	3 - 12 months KD	Total KD
31 December 2020			
Liabilities			
Accounts payable and other liabilities	7,380	53,520	60,900
Due to bank	-	1,672,919	1,672,919
	7,380	1,726,439	1,733,819
31 December 2019 (restated)			
Liabilities			
Accounts payable and other liabilities	37,501	53,520	91,021
	37,501	53,520	91,021

The table below summarises the maturity profile of the Group's assets and liabilities. Except for financial assets at fair value through other comprehensive income and investment properties, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for financial assets at fair value through other comprehensive income and investment properties is determined based on management's planned exit dates.

The maturity profile of assets and liabilities at 31 December 2020:

	1 - 3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets				
Property and equipment	-	-	1,743	1,743
Right of use of land	-	-	2,616,898	2,616,898
Investment properties	-	-	3,141,498	3,141,498
Investment in real estate portfolio	-	-	1,209,249	1,209,249
Financial assets at fair value through other comprehensive income	-	-	498,834	498,834
Accounts receivable and other assets	2,303	-	-	2,303
Financial assets at fair value through profit or loss	-	2,781,961	-	2,781,961
Cash and cash equivalents	558,272	-	-	558,272
	560,575	2,781,961	7,468,222	10,810,758
Liabilities				
Provision for employees' end of service benefits	-	-	40,583	40,583
Due to bank	-	1,672,919	-	1,672,919
Accounts payable and other liabilities	7,380	53,520	-	60,900
	7,380	1,726,439	40,583	1,774,402
Net liquidity gap	553,195	1,055,522	7,427,639	9,036,356

Notes to the consolidated financial statements (continued)

23 Risk management objectives and policies (continued)

23.3 Liquidity risk (continued)

The maturity profile of assets and liabilities at 31 December 2019 (restated):

	1 - 3 months KD	3-12 months KD	Over 1 year KD	Total KD
Assets				
Property and equipment	-	-	1,298	1,298
Right of use of land	-	-	2,754,230	2,754,230
Investment in real estate portfolio	-	-	1,271,522	1,271,522
Financial assets at fair value through other comprehensive income	-	-	498,880	498,880
Trading properties	-	481,841	-	481,841
Accounts receivable and other assets	312,155	-	-	312,155
Financial assets at fair value through profit or loss	-	3,465,982	-	3,465,982
Cash and cash equivalents	1,183,468	-	-	1,183,468
	1,495,623	3,947,823	4,525,930	9,969,376
Liabilities				
Provision for employees' end of service benefits	-	-	49,452	49,452
Accounts payable and other liabilities	37,501	53,520	-	91,021
	37,501	53,520	49,452	140,473
Net liquidity gap	1,458,122	3,894,303	4,476,478	9,828,903

As of 31 December 2020, there are certain restrictions on the liquidity of cash and cash equivalents amount of KD546,348 (31 December 2019: KD506,744) (note 15).

23.4 Geographical Concentration

The distribution of the financial assets according to their geographical area in 2020 and 2019 are as follows:

	Kuwait KD	United Kingdom KD	Total KD
As of 31 December 2020			
Financial assets at fair value through other comprehensive income	**498,834**	**-**	**498,834**
Accounts receivable and other assets	**1,053**	**-**	**1,053**
Financial assets at fair value through profit or loss	**2,653,612**	**128,349**	**2,781,961**
Cash and cash equivalents	**558,272**	**-**	**558,272**
	3,711,771	**128,349**	**3,840,120**
As of 31 December 2019 (restated)			
Financial assets at fair value through other comprehensive income	498,880	-	498,880
Accounts receivable and other assets	7,155	-	7,155
Financial assets at fair value through profit or loss	3,336,706	129,276	3,465,982
Cash and cash equivalents	1,183,468	-	1,183,468
	5,026,209	129,276	5,155,485

Notes to the consolidated financial statements (continued)

24 Fair value measurement

24.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

24.2 Fair value measurement of financial instruments

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

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Financial assets:		
At amortised cost:		
Accounts receivable and other assets	**1,053**	7,155
Cash and cash equivalents	**558,272**	1,183,468
At fair value:		
Financial assets at fair value through profit or loss	**2,781,961**	3,465,982
Financial assets at fair value through other comprehensive income	**498,834**	498,880
	3,840,120	5,155,485
Financial liabilities:		
At amortised cost:		
Provision for employees' end of service benefits	**40,583**	49,452
Due to bank	**1,672,919**	-
Accounts payable and other liabilities	**60,900**	91,021
	1,774,402	140,473

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

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

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

Notes to the consolidated financial statements (continued)

24 Fair value measurement (continued)

24.2 Fair value measurement of financial instruments (continued)

31 December 2020

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Financial assets					
Financial assets at fair value through profit or loss:					
Quoted securities	a	1,934,652	-	-	1,934,652
Unquoted securities	b	-	-	847,309	847,309
Financial assets at fair value through other comprehensive income:					
Debt instruments	c	-	-	498,834	498,834
		1,934,652	-	1,346,143	3,280,795

31 December 2019 (restated)

		Level 1	Level 2	Level 3	Total
		KD	KD	KD	KD
Financial assets					
Financial assets at fair value through profit or loss:					
Quoted securities	a	2,617,746	-	-	2,617,746
Unquoted securities	b	-	-	848,322	848,322
Financial assets at fair value through other comprehensive income:					
Debt instruments	c	-	-	498,880	498,880
		2,617,746	-	1,347,202	3,964,948

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement at fair value

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Quoted securities

All quoted equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Unquoted securities

Unquoted securities held in managed portfolios are valued based on latest portfolio manager's reports. The fair value for other unquoted securities is estimated using discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Debt instruments

Debt instruments represent bonds held in managed portfolios. They are valued based on latest portfolio manager's reports.

Notes to the consolidated financial statements (continued)

24 Fair value measurement (continued)

24.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements

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

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Opening balance	1,347,202	1,450,670
Disposals	-	(103,390)
Change in fair value	(1,059)	(78)
Closing balance	1,346,143	1,347,202

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

24.3 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2020 and 31 December 2019:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2020				
Investment properties:				
Building in Kuwait	-	-	2,580,000	2,580,000
Property in UAE	-	561,498	-	561,498
	-	561,498	2,580,000	3,141,498

Building in Kuwait

The building in Kuwait represents building catergorised as "Investment Building". The rent capitalization approach was used to determine the lower of the two fair values used in arriving at the fair value. The fair value of the building in Kuwait has been determined based on valuations obtained from independent and accredited valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. As of 31 December 2020, for the valuation purpose, the Group has selected the lower value of the two valuations obtained.

The fair value of the property has been arrived at using income approach which capitalises the monthly estimated rental income stream, net of projected operating costs using a discount rate derived from the market yields. When actual rent differs materially from estimated rents, adjustments have been made to the estimated rental value. When using the estimated rental stream approach, adjustments to actual rental are incorporated for factors such as current occupancy levels, the terms of in-place leases, expectations for rentals from future leases and unlicensed rented areas.

Property in UAE

The property in UAE represents a residential Villa. The fair value provided by an independent valuer using a market approach that reflects observed prices for recent market transactions for similar properties without any significant adjustments being made to the market observable data.

Notes to the consolidated financial statements (continued)

24 Fair value measurement (continued)

24.3 Fair value measurement of non-financial assets (continued)

Further information regarding the level 3 fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Kuwait	Rent capitalization	Monthly economic rental value	KD17,900	Fair value increases if economic rental value increases, and vice versa.

Level 3 Fair value measurements

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

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Opening balance	-	-
Additions	2,741,130	-
Gain or losses recognised in consolidated statement of profit or loss on:		
- Changes in fair value	(161,130)	-
Closing balance	2,580,000	-

25 Capital risk management

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and other variables including risks related to the Group assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the Group consists of the following:

	31 Dec. 2020 KD	(Restated) 31 Dec. 2019 KD
Due to bank	1,672,919	-
Less:		
Cash and cash equivalents (note 15)	(558,272)	(1,183,468)
Net debt	1,114,647	(1,183,468)
Equity	9,036,356	9,828,903
Net debt to equity ratio	12.34%	-

Notes to the consolidated financial statements (continued)

26 Prior period adjustment

During the year, management adjusted previous year balances to properly present certain advance payments and properties classified under trading properties in previous periods. The Group assessed the impact as of 1 January 2019, and concluded that trading properties with a carrying value of KD1,624,914 as of 31 December 2018 should have been classified under investment in real estate portfolio and accounts receivable and other assets.

The Group assessed the impact of the new classifications and its related accounting policies and consequently, restated the comparative consolidated financial statements retrospectively. The comparative consolidated financial statements for the year ended 31 December 2019 and as of 1 January 2019 have been restated to reflect the above. The quantitative impact for the relevant periods is provided below:

Consolidated statement of financial position

	(Previously reported) 31 Dec. 2018 KD	(Restated) 1 Jan. 2019 KD
Consolidated statement of financial position:		
Investment in real estate portfolio	-	1,132,008
Trading properties	2,106,136	481,222
Accounts receivable and other assets	5,090	607,019
Accumulated losses	(2,758,343)	(2,649,320)

	(Previously reported) 31 Dec. 2019 KD	(Restated) 31 Dec. 2019 KD
Consolidated statement of profit or loss and other comprehensive income:		
Change in fair value of investment in real estate portfolio	-	139,514
Impairment of trading properties	(309,344)	-
Provision for doubtful debts	-	(301,929)
Consolidated statement of financial position:		
Investment in real estate portfolio	-	1,271,522
Trading properties	1,797,411	481,841
Accounts receivable and other assets	12,155	312,155
Accumulated losses	(2,668,764)	(2,412,812)

27 Covid19 pandemic impact

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time. However, management of the Group is actively monitoring any effects of COVID19 may have on its business operations and financial performance.

Management has updated its assumptions with respect to judgements and estimates, discussed below, due to continued uncertainties in the volatile economic environment in which the Group conducts its operations.

Notes to the consolidated financial statements (continued)

27 Covid19 pandemic impact (continued)

Impairment of financial assets and Estimated Credit Losses (ECL)
The negative economic outlook and cash flow difficulties experienced by customers as a result of COVID19 have been factored into the Group's forecasts of future conditions, which may have resulted in an increase in its allowance for ECLs of trade and other receivables. This is to reflect:

a) a greater probability of default across many customers, even those that currently do not exhibit significant increases in credit risk but may in the future, and
b) a higher magnitude of loss given default, due to possible decreases in the value of collateral and other assets.

For the unquoted financial assets, the Group considered, among other factors, impacts of the volatility in the markets and affected sectors in its assessment of any indicators of impairment which represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the currently.

The additional considerations above did not result into any material impact in these consolidated financial statements

Impairment of non-financial assets
The Group has considered any impairment indicators arising as a result of COVID19 and any significant uncertainties around other non-financial assets and concluded there is no material impact due to COVID19.

Going concern
At each reporting date, management assesses the entity's ability to continue as a going concern and consider all available information about the future, which is at least, but is not limited to, twelve months from the annual reporting date. Management assessment of going concern included a wide range of factors, such as: current and expected profitability and the ability to continue providing services with due consideration for economic uncertainties resulting from COVID19. Although, the full impact of COVID19 continues to evolve, the results of current projections and assumptions show that the Group has adequate resources to continue its normal operations. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.

Contingencies and Commitments
The Group's assessment of anticipated losses on account of reduction in demand, meeting contractual obligations or losses due to an overall decline in economic output as a result of COVID19 did not result into any matters that need disclosure in the consolidated financial statements.

28 Comparative amounts

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