

**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)  
and its Subsidiaries  
State of Kuwait**

**Consolidated Financial Statements and Independent  
Auditor's Report  
For the year ended 31 December 2020**

**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)**  
**and its Subsidiaries**  
**State of Kuwait**

**Consolidated Financial Statements and Independent Auditor's Report**  
**For the year ended 31 December 2020**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DAR AL-THURAYA REAL ESTATE CO. K.S.C. (PUBLIC)  
STATE OF KUWAIT**

**Report on Audit of the Consolidated Financial Statements**

*Opinion*

We have audited the consolidated financial statements of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) ("the Parent Company") and its subsidiaries, ("the Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of income and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial 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 financial 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. 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") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the above IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. We identified the following key audit matters:

**Valuation of investment properties**

The Group's investment properties represent significant part of the total assets that are recorded at fair value as at 31 December 2020 determined by external real estate independent valuers. Determination of fair value of investment properties mainly depends on estimates and assumptions such as market knowledge and average market price of similar properties. Disclosures related to assumptions and estimates and policy of investment properties recognition and measurement are presented in accounting policies section in the notes to the consolidated financial statements. Due to size and complexity of estimates and assumptions used in performing audit on investment properties, and importance of the disclosures related to such estimates and assumptions used in valuation, we determined this matter as a key audit matter.

**How our audit addressed the matter**

Our performed audit procedures included verifying assumptions and estimates made by the Group's management, and appropriateness of relevant data supporting valuations of the external valuers. Such procedures included, as appropriate, comparing judgments made concerning current and emerging practices, and verifying the valuations. We further reviewed the valuation reports issued by the licensed external valuers.. Moreover, we valued appropriateness of disclosures related to assumptions sensitivity in Note 8 to the consolidated statements.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DAR AL-THURAYA REAL ESTATE CO. K.S.C. (PUBLIC) (CONTINUED)  
STATE OF KUWAIT**

**Report on the Audit of the Consolidated Financial Statements (Continued)**

*Other Information*

Management is responsible for the other information. The other information comprises information included in the annual report of the Group for the financial year ended 31 December 2020, but does not include the consolidated financial statements and our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the above mentioned other information, where it is available, 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.

*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.

*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 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.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DAR AL-THURAYA REAL ESTATE CO. K.S.C. (PUBLIC) (CONTINUED)**  
**STATE OF KUWAIT**

**Report on the Audit of the Consolidated Financial Statements (Continued)**

*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)*

- 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.

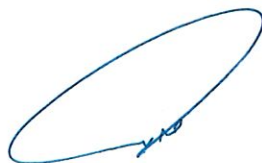
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements for 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**

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 physical count 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, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or its financial position.

We further report that, during the course of our review and to the best of our knowledge and belief, nothing have come to our attention indicating any material violations of the provisions of Law No. 7 of 2010 concerning the Establishment of Capital Markets Authority and the Organization of Securities Activity and its Executive Regulations and related instructions, as amended, during the financial year ended 31 December 2020, which might have materially affected the business or consolidated financial position of the Parent Company.



**Faisal Saqer Al Saqer**  
**License No. 172 – "A"**  
**BDO Al Nisf & Partners**

**Kuwait: 23 February 2021**

**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)**  
**and its Subsidiaries**  
**State of Kuwait**

**Consolidated Statement of Financial Position**  
**As at 31 December 2020**

	Notes	2020 KD	2019 KD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	657	941
Investment properties	8	9,700,000	3,885,000
Due from a related party	9	-	401,380
		<u>9,700,657</u>	<u>4,287,321</u>
<b>Current assets</b>			
Trade receivables and other debit balances	10	6,712,418	10,234,409
Financial assets at fair value through profit or loss	11	1,041,524	487,606
Cash and bank balances	12	145,431	569,542
		<u>7,899,373</u>	<u>11,291,557</u>
<b>TOTAL ASSETS</b>		<u>17,600,030</u>	<u>15,578,878</u>
<b>Equity and liabilities</b>			
<b>EQUITY</b>			
Share capital	13	14,650,000	14,650,000
Statutory reserve	14	866,845	866,845
Voluntary reserve	15	866,845	866,845
Accumulated losses		<u>(402,483)</u>	<u>(960,025)</u>
<b>Equity attributable to Shareholders of the Parent Company</b>		15,981,207	15,423,665
Non-controlling interests		<u>2,007</u>	<u>1,078</u>
<b>TOTAL EQUITY</b>		<u>15,983,214</u>	<u>15,424,743</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Employees' end of service indemnity	16	27,192	25,034
		<u>27,192</u>	<u>25,034</u>
<b>Current liabilities</b>			
Due to a related party	9	1,470,956	-
Other credit balances	17	118,668	129,101
		<u>1,589,624</u>	<u>129,101</u>
<b>TOTAL LIABILITIES</b>		<u>1,616,816</u>	<u>154,135</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>17,600,030</u>	<u>15,578,878</u>

The notes on pages 9 to 43 form an integral part of these consolidated financial statements.

**Ahmad Abdurazzaq Albahr**  
*Chairman*

**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)**  
**and its Subsidiaries**  
**State of Kuwait**

**Consolidated statement of income**  
**For the year ended 31 December 2020**

	Notes	2020 KD	2019 KD
<b>Continuing operations:</b>			
Net operating loss	18,19	(230,025)	(137,435)
Net rental income	18,20	239,287	495,706
Other income		1,679	12,415
Loss from sale of investment properties		-	(133,000)
Change in fair value of investment properties	8	442,335	-
Unrealized losses from financial assets at fair value through profit or loss		(65,132)	(21,219)
Realized gain / (losses) on sale of financial assets at fair value through profit or loss		243,398	(31,575)
Cash dividends		145,663	-
General and administrative expenses	21	(129,389)	(298,186)
Provision for expected credit losses	10	(72,750)	(14,152)
Finance costs		-	(63,584)
<b>Profit / (loss) for the year from continuing operations before contributions to National Labor Support Tax and Zakat</b>		<b>575,066</b>	<b>(191,030)</b>
National Labour Support Tax		(15,786)	(14,715)
Zakat		(809)	(4,293)
<b>Profit / (loss) for the year from continuing operations</b>		<b>558,471</b>	<b>(210,038)</b>
<b>Discontinued operations:</b>			
Profit from discontinued operations		-	762,752
<b>Net profit for the year</b>		<b>558,471</b>	<b>552,714</b>
<b>Attributable to:</b>			
The Parent Company's Shareholders		557,542	555,731
Non-controlling interests		929	(3,017)
<b>Net profit for the year</b>		<b>558,471</b>	<b>552,714</b>
<b>Basic and diluted earnings per share for the year from the continuing and discontinued operations attributable to the Shareholders of the Parent Company (fils)</b>	22	<b>3.81</b>	<b>3.79</b>
<b>Basic and diluted earnings / (loss) per share for the year from the continuing operations attributable to the Shareholders of the Parent Company (fils)</b>	22	<b>3.81</b>	<b>(1.41)</b>
<b>Basic and diluted earnings per share for the year from the discontinued operations attributable to the Shareholders of the Parent Company (fils)</b>	22	<b>-</b>	<b>5.21</b>

The notes on pages 9 to 43 form an integral part of these consolidated financial statements.

**Dar Al-Thuraya Real Estate Company K.S.C. (Public)**  
**and its Subsidiaries**  
**State of Kuwait**

**Consolidated statement of income and other comprehensive income**  
**For the year ended 31 December 2020**

	<u>2020</u>	<u>2019</u>
	KD	KD
<b>Net profit for the year</b>	<u>558,471</u>	<u>552,714</u>
Other comprehensive income items:		
<i>Items that will not reclassified subsequently to the consolidated statement of income:</i>		
Change in fair value of financial assets at fair value through other comprehensive income	-	705
<b>Total other comprehensive income</b>	-	705
<b>Total comprehensive income for the year</b>	<u>558,471</u>	<u>553,419</u>
<b>Attributable to:</b>		
The Parent Company's Shareholders	557,542	556,436
Non-controlling interests	929	(3,017)
<b>Total comprehensive income for the year</b>	<u>558,471</u>	<u>553,419</u>

The notes on pages 9 to 43 form an integral part of these consolidated financial statements.



**Dar Al-Thuraya Real Estate Company K.S.C. (Public)**  
**and its Subsidiaries**  
**State of Kuwait**

**Consolidated Statement of Changes in Equity**  
**For the year ended 31 December 2020**

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Fair value reserve from financial assets at fair value through other comprehensive income KD	Accumulated losses KD	Equity attributable to Shareholders of the Parent Company KD	Non-controlling interests KD	Total equity KD
<b>At 1 January 2019</b>	14,650,000	866,845	866,845	(705)	(1,515,756)	14,867,229	23,152	14,890,381
Net profit/(loss) for the year	-	-	-	-	555,731	555,731	(3,017)	552,714
Total other comprehensive income	-	-	-	705	-	705	-	705
Total comprehensive income/(loss) for the year	-	-	-	705	555,731	556,436	(3,017)	553,419
Impact of disposal of a subsidiary	-	-	-	-	-	-	(19,057)	(19,057)
<b>At 31 December 2019</b>	<u>14,650,000</u>	<u>866,845</u>	<u>866,845</u>	<u>-</u>	<u>(960,025)</u>	<u>15,423,665</u>	<u>1,078</u>	<u>15,424,743</u>
<b>At 1 January 2020</b>	14,650,000	866,845	866,845	-	(960,025)	15,423,665	1,078	15,424,743
Total comprehensive income for the year	-	-	-	-	557,542	557,542	929	558,471
<b>At 31 December 2020</b>	<u>14,650,000</u>	<u>866,845</u>	<u>866,845</u>	<u>-</u>	<u>(402,483)</u>	<u>15,981,207</u>	<u>2,007</u>	<u>15,983,214</u>

The notes on pages 9 to 43 form an integral part of these consolidated financial statements.

**Dar Al-Thuraya Real Estate Company K.S.C. (Public)**  
**and its Subsidiaries**  
**State of Kuwait**

**Consolidated Statement of Cash Flows**  
For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		558,471	552,714
<i>Adjustments for:</i>			
Depreciation		284	33,447
Finance costs		-	63,584
Loss from sale of investment properties		-	133,000
Change in fair value of investment properties		(442,335)	-
Unrealized losses from financial assets at fair value through profit or loss		65,132	21,219
Realized (gain) / loss on sale of financial assets at fair value through profit or loss		(243,398)	31,575
Cash dividends		(145,663)	-
Provision for expected credit losses		72,750	14,152
Gains on sale of investment in a subsidiary		-	(346,703)
Employees' end of service indemnity		3,277	36,216
		(131,482)	539,204
<i>Changes in working capital:</i>			
Due from/to related parties -- net		1,872,336	(10,294,753)
Trade receivables and other debit balances		2,791,141	(431,803)
Inventories		-	188,128
Other credit balances		(10,433)	49,530
<b>Cash generated from / (used in) operations</b>		<b>4,521,562</b>	<b>(9,949,694)</b>
Payment of employees' end of service indemnity		(1,119)	(76,832)
<b>Cash generated from/(used in) operating activities</b>		<b>4,520,443</b>	<b>(10,026,526)</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of subsidiary		7,000,000	-
Proceeds from sale of investment properties - trade and other receivables		40,000	11,295,000
Payment for purchase of financial assets at fair value through profit or loss		(13,254,390)	(4,614,512)
Proceeds on sale of financial assets at fair value through profit or loss		12,878,738	4,071,512
Cash dividends received		145,663	-
Paid for purchase of investment properties		(11,754,565)	-
<b>Net cash (used in)/ generated from investing activities</b>		<b>(4,944,554)</b>	<b>10,752,000</b>
<b>FINANCING ACTIVITIES</b>			
Paid for Ijara payable		-	(1,852,881)
Finance costs paid		-	(63,584)
<b>Change in non-controlling interests</b>		<b>-</b>	<b>20,345</b>
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(1,896,120)</b>
<b>Net decrease in cash and bank balances</b>		<b>(424,111)</b>	<b>(1,170,646)</b>
Cash and bank balances at the beginning of the year		569,542	1,993,144
Decrease in cash and bank balances from sale of a subsidiary		-	(252,956)
<b>Cash and bank balances at the end of the year (Note 12)</b>		<b>145,431</b>	<b>569,542</b>

The Group has the following non-cash activities during the year, which is not reflected in the consolidated statement of cash flows.

	2020 KD	2019 KD
<b>Non-cash transactions</b>		
Trade and other receivables	6,381,900	2,500,000
Investment properties	-	3,885,000

The notes on pages 9 to 43 form an integral part of these consolidated financial statements.

**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)**  
**and its Subsidiaries**  
**State of Kuwait**

**Notes to the Consolidated Financial Statements**  
For the year ended 31 December 2020

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**1. GENERAL INFORMATION**

Dar Al-Thuraya Real Estate Co. K.S.C. (Public) (the "Parent Company") was incorporated on 30 May 2004 in accordance with provisions of Kuwait Companies Law, and was registered with the commercial register on 5 June 2004 under No. 101003.

The objectives for which the Company is established in accordance with the Islamic Sharia are as follows:

- Owning, selling, purchasing, developing real estate and land plots for the Company's account in the State of Kuwait or abroad in addition to third party management, without violation of the provisions stipulated in the applicable laws, and their restriction on trading in private housing plots as stated there in.
- Acquiring, selling and purchasing shares and bonds of the real estate companies only in favour of the Company inside and outside Kuwait.
- Preparing studies and providing consultancy in real estate sector in all its types provided that meeting the required terms as for who carries out this profession.
- Carrying out maintenance works related to the buildings and properties owned by the Company and others, including maintenance works and carrying out civil, mechanical and electrical works, elevators and air conditioning works in such a way that maintains buildings and their safety.
- Organizing real estate exhibitions for the Company's real estate projects in accordance with the regulations applied in the Ministry.
- Arranging real estate auctions as per the Ministry regulations.
- Acquisition and management of commercial and residential complexes.
- Using the financial surplus available with the Company via investing the same in portfolios managed by specialized companies and entities.
- Direct contribution in the infrastructure of residential, commercial and industrial areas and projects through (B.O.T) system and management of real estate facilities under the same system.

The Company carries out the above activities directly in the State of Kuwait and abroad, for itself or through agency. The Company may have interest or participate in entities with similar activities or that may help the Company achieving its objectives inside Kuwait or abroad. The Company may also establish, participate in, or purchase these entities or affiliate them.

The Parent Company's shares were listed on Boursa Kuwait on 18 August 2009.

The Company's registered office is situated at P.O. Box 1376 Safat, 13014 - State of Kuwait.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (Note 5.1).

The Parent Company is a subsidiary of Al Madar Finance and Investment Company K.S.C. (Public) (the "Ultimate Parent Company") which is listed on the Boursa Kuwait, and is a subsidiary of Al Thekair General Trading and Contracting Company W.L.L. (the "Ultimate Parent Company").



**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)**  
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**State of Kuwait**

**Notes to the Consolidated Financial Statements**  
For the year ended 31 December 2020

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**1. GENERAL INFORMATION (CONTINUED)**

The consolidated financial statements of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) and its subsidiaries ("the Group") for the year ended 31 December 2020 were authorized for issue by the Parent Company's board of directors on 23 February 2021. The Parent Company's Shareholders have the power to amend these consolidated financial statements at the Shareholders' annual general assembly.

**2. BASIS OF PREPARATION**

The consolidated financial statements have been prepared under the historical cost convention except for the investment properties and financial assets at fair value through profit or loss that are measured at fair value.

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

**3. STATEMENT OF COMPLIANCE**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS interpretations Committee applicable to companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies Law.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of significant accounting judgments and estimates uncertainty made in preparing the consolidated financial statements and their effect are disclosed in (Note 6).

**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")**

**a) New standards and amendments effective from 1 January 2020**

New standards impacting the Group that have been adopted in the annual consolidated financial statements for the year ended 31 December 2020 are as follows:

*Amendments to IAS 1 and IAS 8: Definition of Material*

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

**Dar Al-Thuraya Real Estate Co. K.S.C. (Public)**  
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**State of Kuwait**

**Notes to the Consolidated Financial Statements**  
For the year ended 31 December 2020

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**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) (CONTINUED)**

**a) New standards and amendments effective from 1 January 2020 (Continued)**

*Amendments to IFRS 3: Definition of a Business*

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group, but may impact the future periods should the Group enter into any business combinations.

*Amendments to IFRS 7, IFRS 9, IAS 39: Interest Rate Benchmark Reform*

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

*Amendments to IFRS 16 Covid-19 Related Rent Concessions*

Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) The reduction in lease payments affects only payments originally due on or before 30 June 2021;
- c) There is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset.

By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in the profit or loss in the period in which the event or condition that triggers the rent concession occurs.

This amendment had no impact on the consolidated financial statements of the Group.

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**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) (CONTINUED)**

**a) New standards and amendments effective from 1 January 2020 (Continued)**

*Conceptual Framework for Financial Reporting issued on 29 March 2018*

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

This amendment had no impact on the consolidated financial statements of the Group.

**b) Standards issued but not effective**

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

*IFRS 17: Insurance Contracts*

This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

Early application is permitted provided that the Group also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any material impact on the Group's consolidated financial statements.

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

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

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



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**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) (CONTINUED)**

**b) Standards issued but not effective (Continued)**

*Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)*

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Amendments to IFRS 3: Reference to the Conceptual Framework*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

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

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

*Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use*

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

*Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract*

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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**4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSS) (CONTINUED)**

**b) Standards issued but not effective (Continued)**

*Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract (continued)*

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

**Annual improvements to IFRSs 2018-2020 Cycle**

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

*IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the Parent Company, based on the parent's date of transition to IFRS.

This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

These amendments will become effective for annual periods beginning on or after 1 January 2022, with early application permitted.

*IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

*IFRS 16 Leases: Lease incentives*

The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**5.1. Basis of consolidation**

***Subsidiaries***

The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company and its subsidiary. Control is achieved when the Parent Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:

- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements.
- Historic patterns in voting attendance.

The Parent Company reevaluates whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the Parent Company's owners and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Parent Company's ownership interests in subsidiaries that do not result in the Parent Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Parent Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.



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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.1. Basis of consolidation (Continued)**

When the Parent Company loses control of a subsidiary, a profit or loss is recognised in the consolidated statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interests and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in the consolidated statement of other comprehensive income in relation to that subsidiary are accounted for as if the Parent Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as follows:

Name of the subsidiary	Country of incorporation	Voting rights and equity interest		Activity
		2020	2019	
Althuraya Star Co. - W.L.L.	State of Kuwait	99%	99%	General Trading and Contracting
Kuwait Building Real Estate Company K.S.C (Closed) (a)	State of Kuwait	96%	96%	Real estate
Golden Madar Real Estate Company - W.L.L.	State of Kuwait	98%	98%	Real estate

(a) The subsidiary's equity was consolidated in the Parent Company's books at 100% based on an assignment letter issued by the non-controlling interests in favor of the Parent Company.

**5.2. Business combinations**

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in consolidated statement of income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.3. Business combinations (Continued)**

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquired (if any), the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the statement of other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

**5.3. Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful lives of the relevant assets on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Profits or losses on disposals are determined by the difference between net sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.4. Investment properties**

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment properties also include properties that is being constructed or developed for future use as investment properties.

Investment properties are measured initially at its cost, including related transaction costs and borrowing costs, where required.

Subsequent to initial recognition, investment properties are remeasured at fair value.

The fair value of investment properties reflect, among other matters, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are included in the consolidated statement of income.

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. Gains or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of income.

**5.5. Impairment of non-financial assets**

At each consolidated financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, and otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.5. Impairment of non-financial assets (Continued)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

**5.6. Financial instruments**

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

The financial assets and liabilities recognised in the consolidated statement of financial position include financial assets at fair value through profit or loss, due from a related party, trade receivables and other debit balances, cash and bank balances, due to related parties and other credit balances.

**Financial assets:**

**Initial recognition, subsequent measurement and derecognition**

To determine the classification and measurement category of financial assets, IFRS requires assessment of all financial assets, except for equity instruments and derivatives, based on the Group's business model for managing the Group's assets and the contractual cash flows characteristics of these instruments.

The Group determines its business model at the level that best reflects how it manages its financial assets to achieve its business objectives and in order to generate contractual cash flows. Whether the Group's sole objective is to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of sell business model and measured at fair value through profit or loss. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of the financial assets are recognized on the trade date i.e. the date on which the Group commits to purchase or sell the asset. The financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.6. Financial instruments (Continued)**

**Financial assets (continued)**

**Initial recognition, subsequent measurement and derecognition (continued)**

The financial assets are derecognised when the contractual rights to receive the cash flows from the financial assets expire or when the Group transfers its right to receive cash flows from the financial assets in either of the following circumstances: (a) when the Group transfers all risks and rewards of the financial assets ownership, or (b) when all risks and rewards of the financial assets are not transferred or retained, but the control over the financial assets is transferred. When the Group retains control, it must continue to recognize the financial assets to the extent of its participation therein.

**Classification of financial assets**

Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:

- Financial assets at amortised cost.
- Equity instruments at Fair value through profit or loss.

***Subsequent measurement***

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

***Financial Assets carried at fair value through profit or loss***

The Group classifies the financial assets as held for trading primarily when purchased or issued in order to achieve short-term profits through trading activities or when they form a part of a financial instruments portfolio that are managed together, there is an evidence for emerging a new pattern to achieve short-term profits. Assets held for trading are recognized and measured at fair value in the consolidated statement of financial position.

Profits or losses on the change in fair value, profits or losses on sale and dividends are recognized in the consolidated statement of income under the contract conditions or when the right to receive the profits amount is established.

***Financial assets carried at amortised cost***

A financial asset is measured at amortised cost if both of the following conditions are met and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Profits and losses are recognized in the statement of profit or loss when the asset is derecognised, adjusted or impaired.

The financial assets at amortized cost include due from a related party, trade receivables and other debit balances and cash and bank balances designated as financial assets at amortised cost.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.6. Financial instruments (Continued)**

**Financial assets (continued)**

**Trade receivables and other debit balances**

Trade receivables are amounts due from customers for sale of goods or leasing units or rendering services in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Receivables which are not designated under any of the above are classified as "other assets".

**Cash and bank balances**

Cash and bank balances include cash on hand and bank accounts at banks, which are exposed to insignificant risks in terms of changes in the value.

**Effective yield rate method**

The effective return rate is a method of calculating the amortized cost of a financial asset and of allocating return over the relevant period. The effective yield is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

**Impairment of financial assets**

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated the expected credit losses ("ECLs") based on lifetime ECLs. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

**Derecognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.



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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.6. Financial instruments (continued)**

**Financial liabilities**

**Initial recognition, subsequent measurement and derecognition**

**Initial recognition**

All financial liabilities are initially recognized at fair value and in case of loans, borrowings and creditors directly attributable transactions costs are discounted. All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost using the effective interest rate method.

Financial liabilities are classified, at initial recognition, within the scope of IAS 9, as financial liabilities at fair value through profit or loss, loans, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include due to a related party and other credit balances.

**Other credit balances**

Other credit balances are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective yield method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

**Derecognition of financial liabilities**

A financial liability is derecognized 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. 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 recognized in the consolidated statement of profit or loss.

**5.7. Offsetting 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 recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.8. Provisions**

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**5.9. Employees' 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. 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 consolidated financial position date.

**5.10. Contingent assets and liabilities**

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.

**5.11. Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other lease contracts are classified as operating leases.

*The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

*The Group as lessee*

Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.12. Foreign currency translation**

*Functional and presentation currency*

The consolidated financial statements have been presented in Kuwaiti 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.

*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 consolidated statement of income. 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.

*Foreign operations*

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the consolidated financial statements reporting period.

On consolidation, assets and liabilities are translated into KD at the closing rate at the date of consolidated financial statements. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the financial statements period. Exchange differences are charged / credited to other comprehensive income and recognized in the "Foreign currency translation reserve" in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to consolidated statement of income and recognized as part of the profit or loss on disposal.

**5.13. Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determine the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligations are satisfied

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.13. Revenue recognition (Continued)**

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Under IFRS 15, revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group shall transfer control of goods or services over a period of time (and not at a specific time) upon fulfillment of any of the following criteria:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not establish an asset that has an alternative usage to the Entity. The Entity has enforceable right in payments against the completed performance to date.

Group's revenue streams are recognised as follows:

Service revenue

Service revenue is recognized when the services are performed and completed for clients.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental income

Rental income is recognised on a straight line basis in accordance with the substance of the relevant agreements.

Dividend income

Dividend revenues are recognised when the right to receive payment is established.

**5.14. Finance costs**

Finance costs that are not directly related to purchasing, investing or producing the qualified asset, are recognised in the consolidated statement of income using the effective yield method in the period in which they are incurred.

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**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**5.15. Contribution to Kuwait Foundation for the Advancement of Sciences and Zakat**

Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat represent levies/taxes imposed on the Parent Company at fixed percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for financial statements purposes.

<b>Tax/statutory levy</b>	<b>Percentage</b>
Contribution to Kuwait Foundation for the Advancement of Sciences	1.0% of net profit less permitted deductions
Contribution to Zakat	1.0% of net profit less permitted deductions

**5.16. National Labour Support Tax**

The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to Shareholders of the Parent Company, less the permitted deductions.

**6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimations and assumptions are based on the management's previous experiences and other relevant factors. Actual results may vary from these estimations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recorded in the periods in which the review and adjustment of the estimates are made if the adjustment related to this particular period. Adjustments are recorded in the review period and future periods if these adjustments to estimates will impact the current period and future financial periods.

**Significant accounting 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:

*Useful lives of tangible assets*

The Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

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**6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)**

**Significant accounting judgments (Continued)**

*Classification of properties*

The Group decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of 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.

*Classification of financial instruments*

On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets as stated in Note No. 5.

**Key sources of estimation uncertainty**

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

*ECLs provision on trade receivables and other debit balances*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type, customer and type). The provision matrix is initially based on the Group's historical observed default rates.

The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product, stock market capitalization) are expected to deteriorate over the next year which can lead to an increased number of defaults in the brokerage sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.



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**6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)**

**Key sources of estimation uncertainty (Continued)**

*ECLs provision on trade receivables and other debit balances (continued)*

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the trade receivables and other debit balances of the Group is disclosed in Note 10.

*Fair value measurement*

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the financial instrument.

Where such data is not observable, management uses its best estimate. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the consolidated financial statements date.

*Valuation of investment properties*

The Group records its investment properties at fair value where changes in the fair value are recognized in the consolidated statement of income, three basic methods are used for determining the fair value of the investment properties:

- i) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.
- ii) Income capitalization: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalization rate.
- iii) Comparative analysis: which base on estimations made by an independent real estate assessor by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate assessor.

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**7. PROPERTY, PLANT AND EQUIPMENT**

	<u>Buildings</u> KD	<u>Containers</u> KD	<u>Vehicles</u> KD	<u>Furniture and fixtures</u> KD	<u>Office equipment and devices</u> KD	<u>Total</u> KD
<b>Cost</b>						
At 1 January 2019	70,308	371,106	90,305	27,419	205,015	764,153
Impact of disposal of a subsidiary	(70,308)	(371,106)	(90,305)	(24,400)	(180,335)	(736,454)
At 31 December 2019	-	-	-	3,019	24,680	27,699
At 1 January 2020	-	-	-	3,019	24,680	27,699
At 31 December 2020	-	-	-	3,019	24,680	27,699
<b>Accumulated Depreciation</b>						
At 1 January 2019	20,142	172,624	51,140	27,029	187,866	458,801
Charged during the year	3,200	15,203	4,200	1,300	9,544	33,447
Impact of disposal of a subsidiary	(23,342)	(187,827)	(55,340)	(25,314)	(173,667)	(465,490)
At 31 December 2019	-	-	-	3,015	23,743	26,758
At 1 January 2020	-	-	-	3,015	23,743	26,758
Charged during the year	-	-	-	-	284	284
At 31 December 2020	-	-	-	3,015	24,027	27,042
<b>Net carrying value</b>						
At 31 December 2020	-	-	-	4	653	657
At 31 December 2019	-	-	-	4	937	941
Annual depreciation rates	5%	10%	20%	20%-3.33%	20%-3.33%	

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**8. INVESTMENT PROPERTIES**

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
<b>Investment properties</b>		
At 1 January	3,885,000	19,523,000
Additions	2,496,900	3,885,000
Disposals	(6,381,900)	(13,928,000)
Impact of disposal of a subsidiary	-	(5,595,000)
At 31 December	<u>-</u>	<u>3,885,000</u>
<b>Projects in progress</b>		
Additions (a)	9,257,665	-
Change in fair value	442,335	-
At 31 December	<u>9,700,000</u>	<u>-</u>
	<u>9,700,000</u>	<u>3,885,000</u>

(a) Additions of KD 9,257,665 representing the value of a land plot in the State of Kuwait that is purchased by a subsidiary from a related party during the financial year ended 31 December 2020.

The fair value of the Group's investment properties as at 31 December 2020 has been arrived at on the basis of a valuation carried out on the respective dates by two independent valuers, one of them is a local bank, not related to the Group and the management has adopted the lower valuation. The fair value was determined under level 2 based on the market comparable approach that reflects recent transaction priced for similar properties (Note 27). In estimating the fair value of the properties, the highest and best use of the properties is their current use.

On 28 December 2020, the Group sold investment properties at its carrying amount of KD 6,381,900. No gain or loss has resulted on this sale.

**9. RELATED PARTY TRANSACTIONS**

Related parties comprise of the Group's major Shareholders who are members of the board of directors, board of directors, key management personnel, and subsidiaries in which the Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December 2020. Balances and transactions between the Group and its subsidiaries, which are deemed as related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

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**9. RELATED PARTY TRANSACTIONS (COUNTINUED)**

Balances due from/to related parties and related party transaction are as follows:

	<u>2020</u>	<u>2019</u>
	KD	KD
<b>Consolidated statement of financial position:</b>		
Due from a related party (the Ultimate Parent Company)	-	401,380
Due to a related party (the Ultimate Parent Company)	<u>1,470,956</u>	<u>-</u>
<b>Consolidated statement of income:</b>		
Senior management benefits and salaries	<u>21,622</u>	<u>23,816</u>

Amounts due from/to a related party are non-interest bearing, with no specific maturity dates.

**10. TRADE RECEIVABLES AND OTHER DEBIT BALANCES**

	<u>2020</u>	<u>2019</u>
	KD	KD
Trade receivables (a)	137,051	148,960
Less: provision for ECLs - Trade receivables	<u>(17,000)</u>	<u>(17,000)</u>
	120,051	131,960
Accrued rentals (a)	700,418	840,805
Less: provision for ECLs - accrued rentals	<u>(700,418)</u>	<u>(764,444)</u>
	120,051	208,321
Amount due from sale of investment properties	6,381,900	2,500,000
Due from sale of subsidiary	-	7,000,000
Advance payments for purchase of investment properties	168,080	480,000
Staff receivables	-	500
Prepaid expenses	2,508	9,298
Refundable deposits	35,190	36,290
Other receivables	<u>4,689</u>	<u>-</u>
	<u>6,712,418</u>	<u>10,234,409</u>

(a) Trade receivables and accrued rentals:

The ageing analysis of trade receivables - accrued rentals is as follows:

	<u>Less than</u>	<u>91 - 180</u>	<u>181 - 365</u>	<u>More than</u>	<u>Total</u>
	<u>90 days</u>	<u>days</u>	<u>days</u>	<u>365 days</u>	
<b>2020</b>	<u>143,613</u>	<u>6,115</u>	<u>3,095</u>	<u>684,646</u>	<u>837,469</u>
<b>2019</b>	<u>160,949</u>	<u>38,439</u>	<u>33,915</u>	<u>756,462</u>	<u>989,765</u>

During the year ended 31 December 2020, the Group recognized a provision for ECLs for accrued rentals of KD 72,750 (2019: KD 14,152).

The movement of the provision for ECLs against trade receivables is as follows:

	<u>2020</u>	<u>2019</u>
	KD	KD
Balance at 1 January	17,000	365,016
Impact of disposal of a subsidiary	-	(348,016)
Balance at 31 December	<u>17,000</u>	<u>17,000</u>

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**10. TRADE RECEIVABLES AND OTHER DEBIT BALANCES (CONTINUED)**

Movement on provision for ECLs for accrued rentals is as follows:

	<u>2020</u>	<u>2019</u>
	KD	KD
Balance at 1 January	764,444	750,292
Charged during the year	72,750	14,152
Provision written-off (a)	<u>(136,776)</u>	<u>-</u>
Balance at 31 December	<u>700,418</u>	<u>764,444</u>

- a) During the financial year ended 31 December 2020, the Board of Directors approved on 27 December 2020, to write-off the provisions relating to accrued rentals, since the legal procedures have been completed and it has been determined that the balances are not collectible.

**11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<u>2020</u>	<u>2019</u>
	KD	KD
Investments in quoted local shares - investment portfolio	<u>1,041,524</u>	<u>487,606</u>

Valuation techniques of the financial assets at fair value through profit or loss are disclosed in Note 26.

**12. CASH AND BANK BALANCES**

	<u>2020</u>	<u>2019</u>
	KD	KD
Bank balances	145,431	569,442
Cash on hand	<u>-</u>	<u>100</u>
	<u>145,431</u>	<u>569,542</u>

The annual average effective return rate on savings accounts was 0.3% as at 31 December 2020 (2019: 0.75%).

**13. SHARE CAPITAL**

The Parent Company's authorized, issued, and fully paid up share capital is KD 14,650,000 (2019: KD 14,650,000) divided into 146,500,000 shares (2019: 146,500,000 shares) each of 100 fils. All shares are cash shares.

**14. STATUTORY RESERVE**

As required by the Companies Law and the Parent Company's Articles of Association, as amended, 10% of the profit for the year attributable to the Parent Company's Shareholders before contribution to Kuwait Foundation for the Advancement of Sciences, National Labour Support Tax, Zakat and board of directors' remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such transfers when the reserve exceeds 50% of the share capital. This reserve is not available for distribution, except in cases stated by Law and Parent Company's Articles of Association. No transfer has been made to the statutory reserve due to the accumulated losses.

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**15. VOLUNTARY RESERVE**

As required by the Parent Company's Articles of Association, as amended, 10% of the profit for the year attributable to the Parent Company's Shareholders before contribution to KFAS, National Labour Support Tax, Zakat and board of directors' remuneration is transferred to the voluntary reserve. Such annual transfer may be discontinued by a resolution of the Shareholders' general assembly upon recommendation by the board of directors. No transfer to voluntary reserve account was made as there are accumulated losses.

**16. EMPLOYEES' END OF SERVICE INDEMNITY**

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
At 1 January	25,034	193,678
Charged during the year	3,277	36,216
Paid during the year	(1,119)	(76,832)
Impact of disposal of a subsidiary	-	(128,028)
At 31 December	<u>27,192</u>	<u>25,034</u>

**17. OTHER CREDIT BALANCES**

	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
Accrued expenses	56,017	82,607
Rentals paid in advance	2,200	340
Accrued zakat	11,012	10,181
National Labour Support Tax due	30,717	28,638
Other creditors	18,722	7,335
	<u>118,668</u>	<u>129,101</u>

**18. REVENUE**

	<b>31 December 2020</b>			
	<b>Real Estate sector</b>	<b>General Trading Sector</b>	<b>Other</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Operating income (Note 19)	-	156,803	-	156,803
Rental income (Note 20)	254,653	-	-	254,653
Other income	-	-	1,679	1,679
	<u>254,653</u>	<u>156,803</u>	<u>1,679</u>	<u>413,135</u>
<b>Geographical markets</b>				
State of Kuwait	<u>254,653</u>	<u>156,803</u>	<u>1,679</u>	<u>413,135</u>
<b>Timing of revenue recognition</b>				
Services rendered at a point in time	-	156,803	1,679	158,482
Services rendered over time	254,653	-	-	254,653
	<u>254,653</u>	<u>156,803</u>	<u>1,679</u>	<u>413,135</u>
<b>Revenue</b>				
Clients inside Kuwait	<u>254,653</u>	<u>156,803</u>	<u>1,679</u>	<u>413,135</u>



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**18. REVENUE (CONTINUED)**

	31 December 2019			
	Real Estate	General	Other	Total
	sector	Trading		
	KD	Sector	KD	KD
Operating income (Note 19)	-	420,600	-	420,600
Rental income (Note 20)	649,080	-	-	649,080
Other income	-	1,066,810	359,118	1,425,928
	<u>649,080</u>	<u>1,487,410</u>	<u>359,118</u>	<u>2,495,608</u>
<b>Geographical markets</b>				
State of Kuwait	<u>649,080</u>	<u>1,487,410</u>	<u>359,118</u>	<u>2,495,608</u>
<b>Timing of revenue recognition</b>				
Services rendered at a point in time	-	1,487,410	359,118	1,846,528
Services rendered over time	<u>649,080</u>	<u>-</u>	<u>-</u>	<u>649,080</u>
	<u>649,080</u>	<u>1,487,410</u>	<u>359,118</u>	<u>2,495,608</u>
<b>Revenue</b>				
Clients inside Kuwait	<u>649,080</u>	<u>1,487,410</u>	<u>359,118</u>	<u>2,495,608</u>

**19. NET OPERATING LOSS**

	2020	2019
	KD	KD
Operating income (Note 18)	156,803	420,600
Operating costs	<u>(386,828)</u>	<u>(558,035)</u>
	<u>(230,025)</u>	<u>(137,435)</u>

**20. NET RENTAL INCOME**

	2020	2019
	KD	KD
Rental income (Note 18)	254,653	649,080
Rental costs	<u>(15,366)</u>	<u>(153,374)</u>
	<u>239,287</u>	<u>495,706</u>

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	2020	2019
	KD	KD
Staff costs	46,115	141,584
Rent	15,984	7,800
Advisory and subscriptions	49,668	108,735
Other	17,338	39,772
Depreciation	284	295
	<u>129,389</u>	<u>298,186</u>

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**22. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE**

Basic and diluted earnings / (loss) per share are calculated by dividing earnings / (loss) for the year attributable to Shareholders of the Parent Company by the weighted average number of outstanding shares during the year.

	<u>2020</u> KD	<u>2019</u> KD
Net profit for the year attributable to Shareholders of the Parent Company (KD)	557,542	555,731
Profit / (loss) from the continuing operations attributable to the Shareholders of the Parent Company (KD)	557,542	(207,021)
Profit from the discontinued operations attributable to Shareholders of the Parent Company (KD)	-	762,752
Weighted average number of outstanding shares during the year (share)	146,500,000	146,500,000
Basic and diluted earnings per share for the year from the continuing and discontinued operations attributable to the Shareholders of the Parent Company (fils)	3.81	3.79
Basic and diluted earnings / (loss) per share for the year from the continuing operations attributable to the Shareholders of the Parent Company (fils)	3.81	(1.41)
Basic and diluted earnings per share for the year from the discontinued operations attributable to the Shareholders of the Parent Company(fils)	-	5.21

**23. COMMITMENTS AND CONTINGENT LIABILITIES**

	<u>2020</u> KD	<u>2019</u> KD
Letters of guarantee	-	60,000

**24. PROPOSED DIVIDENDS AND GENERAL ASSEMBLY**

Board of directors proposed in its meeting held on 23 February 2021 not to distribute dividends to the Shareholders for the year ended 31 December 2020 and not to pay remuneration to the board members for the financial year ended 31 December 2020. This proposal is subject to approval of the Shareholders' annual general assembly.

The annual general assembly meeting of the Parent Company's Shareholders held on 5 April 2020, approved the annual consolidated financial statements of the Group for the year ended 31 December 2019 and approved not to distribute dividends to Shareholders or directors' remuneration for such year.

**25. SEGMENT REPORTING**

The management has grouped the Group's products and services into the following operating segments under IFRS 8 as follows:

*Operating Segments*

The Group has determined the following two major business segments for internal reporting purposes:

- Investment properties sector.
- Financial investment sector.
- Other

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**25. SEGMENT REPORTING (CONTINUED)**

Financial information about business segments for the year ended 31 December is as follows:

**2020**

	<b>Investment properties</b>	<b>Financial investments</b>	<b>Other</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Segment assets	9,700,657	1,186,955	6,712,418	17,600,030
Segment liabilities	-	-	1,616,816	1,616,816
Total revenues	254,653	156,803	1,679	413,135
Segment results	624,238	323,929	(389,696)	558,471

**2019**

	<b>Investment properties</b>	<b>Financial investments</b>	<b>Other</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
Segment assets	3,885,941	1,057,148	10,635,789	15,578,878
Segment liabilities	-	-	154,135	154,135
Total revenues	649,080	-	1,846,528	2,495,608
Segment results	348,554	(116,378)	320,538	552,714

*Geographical segments:*

Financial information about geographical segments for the year ended 31 December is set out below:

	<b>2020</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Inside the State of Kuwait	17,600,030	1,616,816	413,135

	<b>2019</b>		
	<b>Assets</b>	<b>Liabilities</b>	<b>Revenue</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
Inside the State of Kuwait	15,578,878	154,135	2,495,608

**26. FINANCIAL RISK AND CAPITAL MANAGEMENT**

**Financial risk factors**

The Group's activities expose it to variety of financial risks: e.g. market risk (i.e. foreign currency risk, profit rate risk and equity price risk), credit risk and liquidity risk. The Parent Company's management policies for reducing each of the risks are discussed below. The Group does not use derivative financial instruments based on future speculations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 5 to the consolidated financial statements.

## **26. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

### **26.1 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises of, foreign currency risk, profit rate risk and equity price risk.

#### **a) Foreign currency risk**

Foreign currency risks arise from Group's exposure to fluctuations of foreign currency arising from various currency exposures. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities and net investments in foreign operations. The Group is not exposed to foreign currency risk currently, as there are no financial assets or liabilities in foreign currencies.

#### **b) Profit rate risk**

Profit rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market profit rates. The Group is not exposed to significant risk as it has no floating interest-bearing financial assets and liabilities at the date of the consolidated financial statements.

#### **c) Equity price risk**

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in equity prices. Financial instruments, which potentially subject the Group to equity price risk, consist principally of financial assets at fair value through profit or loss. The Group is not exposed to equity price risk as it has no investments in equity as at the financial statements date.

### **26.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of due from related party, trade receivables and other debit balances and banks balances. Receivables are presented net of provision for ECLs.

#### Trade receivables and other debit balances

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables and other debit balances as these items do not have a significant financing component. In measuring the ECLs, trade receivables and other debit balances have been assessed on a collective basis respectively and classified based on shared credit risk characteristics and the days past due.

#### Trade receivables and other debit balances (continued)

The expected losses rates are based on the ageing customers over 3 years before 31 December 2020 and 1 January 2020 respectively and the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customers' ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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**26. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**26.2 Credit risk (Continued)**

Set out below is the expected credit losses for trade receivables was determined as follows:

<b>31 December 2020</b>	<b>Less than 90 days KD</b>	<b>91-180 days KD</b>	<b>181 – 365 days KD</b>	<b>More than 365 days KD</b>	<b>Total KD</b>
ECLs rate (%)	8%	25%	40%	100%	
Expected credit loss (ECLs)	1,332	2,315	5,813	7,540	17,000
<b>31 December 2019</b>	<b>Less than 90 days KD</b>	<b>91-180 days KD</b>	<b>181 – 365 days KD</b>	<b>More than 365 days KD</b>	<b>Total KD</b>
ECLs rate (%)	8%	25%	40%	100%	
Expected credit loss (ECLs)	1,332	2,315	5,813	7,540	17,000

Expected credit losses of accrued rentals that were determined as stated below:

<b>31 December 2020</b>	<b>Less than 90 days KD</b>	<b>91-180 days KD</b>	<b>181 – 365 days KD</b>	<b>More than 365 days KD</b>	<b>Total KD</b>
ECLs rate (%)	74%	81%	94%	100%	
Expected credit loss (ECLs)	7,623	4,953	2,909	684,933	700,418
<b>31 December 2019</b>	<b>Less than 90 days KD</b>	<b>91-180 days KD</b>	<b>181 – 365 days KD</b>	<b>More than 365 days KD</b>	<b>Total KD</b>
ECLs rate (%)	74%	81%	94%	100%	
Expected credit loss (ECLs)	5,557	5,095	7,276	746,516	764,444

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to make an alternative payment arrangement - amongst other - with the Group is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

*Banks balances*

The Group's banks balances measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's banks balances are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the ECLs impact is insignificant to the Group as the risk of default has not increased significantly since initial recognition.

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**26. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

**26.2 Credit risk (Continued)**

*Banks balances (continued)*

The maximum limit of the Group's exposure to credit risk arising from default of the counterparty is the nominal value of due from a related party, trade receivables and other debit balances and bank balances.

Credit risk exposure

The book values for financial assets represent the maximum exposure to credit risks. The maximum net exposure to credit risk for assets categories at the reporting date was as follows:

	<u>2020</u>	<u>2019</u>
	KD	KD
Due from a related party	-	401,380
Trade receivables and other debit balances (excluding advance payments for purchasing investment properties and prepaid expenses)	6,541,830	9,745,111
Bank balances	145,431	569,442
	<u>6,687,261</u>	<u>10,715,933</u>

**Geographic concentration of maximum exposure to credit risk**

The maximum exposure to credit risk for financial assets at the reporting date by geographical region and industry wise sector is as follows:

	<u>State of Kuwait</u>	<u>Total</u>
	KD	KD
<b>At 31 December 2020</b>		
Trade receivables and other debit balances (excluding advance payments for purchasing investment properties and prepaid expenses)	6,541,830	159,930
Bank balances	145,431	145,431
	<u>6,687,261</u>	<u>305,361</u>

	<u>State of Kuwait</u>	<u>Total</u>
	KD	KD
<b>At 31 December 2019</b>		
Due from a related party	401,380	401,380
Trade receivables and other debit balances (excluding advance payments for purchasing investment properties and prepaid expenses)	9,745,111	9,745,111
Bank balances	569,442	569,442
	<u>10,715,933</u>	<u>10,715,933</u>

	<u>2020</u>	<u>2019</u>
	KD	KD
<b>Sector:</b>		
Real Estate and Commercial	6,541,830	6,189,491
Banks and financial institutions	145,431	4,526,442
	<u>6,687,261</u>	<u>10,715,933</u>



## **26. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)**

### **26.3 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, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

Ultimate responsibility for liquidity risk management rests with the management of the Parent Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Company's non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December, the carrying amounts of the Group's liabilities with maturity less than 12 months are not materially different from their contractual undiscounted value.

	<b>From 3 months to 1 year</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>
<b>2020</b>		
<b>Liabilities</b>		
Due to a related party	1,470,956	1,470,956
Other credit balances (excluding rents received in advance)	116,468	116,468
	<u>1,587,424</u>	<u>1,587,424</u>
	<b>From 3 months to 1 year</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>
<b>2019</b>		
<b>Liabilities</b>		
Other credit balances (excluding rents received in advance)	128,761	128,761
	<u>128,761</u>	<u>128,761</u>

### **26.4 Capital risk management**

The Group's objective when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for Shareholders and benefits for other stakeholders and to provide an adequate return to Shareholders by pricing products and services commensurately with the level of risk.

The Group's sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust, return capital to Shareholders, issue new shares or sell assets to reduce debt.

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**27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The 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. In the opinion of the Group's management, the carrying values of the financial assets and liabilities as at 31 December are not significantly different from their carrying value.

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

	<b>Carried at fair value</b>	<b>Carried at amortised cost</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>2020</b>			
Financial assets:			
Financial assets at fair value through profit or loss	1,041,524	-	1,041,524
Trade receivables and other debit balances (excluding advance payments for purchasing investment properties and prepaid expenses)	-	6,541,830	6,541,830
Cash and bank balances	-	145,431	145,431
	<u>1,041,524</u>	<u>6,687,261</u>	<u>7,728,785</u>
Financial liabilities:			
Other credit balances (excluding rents received in advance)	-	116,468	116,468
Due to a related party	-	1,470,956	1,470,956
	<u>-</u>	<u>1,587,424</u>	<u>1,587,424</u>
	<b>Carried at fair value</b>	<b>Carried at amortised cost</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>2019</b>			
Financial assets:			
Financial assets at fair value through profit or loss	487,606	-	487,606
Due from a related party	-	401,380	401,380
Trade receivables and other debit balances (excluding advance payments for purchasing investment properties and prepaid expenses)	-	9,745,111	9,745,111
Cash and bank balances	-	569,542	569,542
	<u>487,606</u>	<u>10,716,033</u>	<u>11,203,639</u>
Financial liabilities:			
Other credit balances (excluding rents received in advance)	-	128,761	128,761
	<u>-</u>	<u>128,761</u>	<u>128,761</u>

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**27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Financial and non-financial assets measured at fair value**

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).
- Level 3: inputs are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial and non-financial assets are classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

<b>31 December 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<i>Non-financial assets</i>			
Investment properties	-	9,700,000	9,700,000
<i>Financial assets</i>			
Financial assets at fair value through profit or loss	1,041,524	-	1,041,524
<b>Total</b>	<b>1,041,524</b>	<b>9,700,000</b>	<b>10,741,524</b>
<b>31 December 2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>
<i>Non-financial assets</i>			
Investment properties	-	3,885,000	3,885,000
<i>Financial assets</i>			
Financial assets at fair value through income, profit or loss	487,606	-	487,606
<b>Total</b>	<b>487,606</b>	<b>3,885,000</b>	<b>4,372,606</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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**27. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**Financial and non-financial assets measured at fair value (Continued)**

All other financial assets and financial liabilities carried at amortised cost approximate their fair values at the consolidated financial position date.

The valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous consolidated financial statements period.

**28. THE ECONOMIC SITUATION DUE TO CORONAVIRUS**

Due to the current significant events arising from the spread of Coronavirus (COVID-19) that has affected the global economic situation and exposed the Group to various risks, including a decrease in the fair value of the financial assets at fair value through profit or loss, decrease in the rental amounts and increase in the expected credit losses for clients.

The above stated impacts on the consolidated financial statements during the financial year ended 31 December 2020 are as follows:

- Decrease in the fair value of the financial assets at fair value through profit or loss amounting to KD 65,132.
- The Group's board of directors approved to make a provision for expected credit losses at an amount of KD 72,750 against trade receivables for the due rental amounts. It further approved to write-off trade receivables for the due rental amounts and the provision for expected credit losses which was previously made for them at an amount of KD 136,776.
- The management approved to grant discounts at different percentages on the rental amounts for some tenants who are in default due to the current events effective from April 2020 until June 2020. Accordingly, the total amounts of the same reached KD 34,783.

The Group's management considers that the time period for this event is not specified and it is difficult to anticipate any future results that might arise therefrom including any decrease in the future rental amount or decline in the market value of the investment property. Therefore, the financial impact cannot be reasonably determined on the Group's future business results until the date of the accompanying financial statements.

**29. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current year presentations. Such reclassification did not affect previously reported consolidated profit or loss, equity or opening balances of the earliest comparative period presented and accordingly, no third consolidated statement of financial position is presented.