

ANNUAL REPORT

2020

Kuwait International Investment Holding Company - K.S.C. (Public)

- KUWAIT -



H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT



Sheikh Meshaal Al-Ahmad Al-Jaber Al-Sabah
CROWN PRINCE OF KUWAIT



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Members of the Board



Hamed M. Al Aiban

Chairman

Talal B. Al Bahar

Vice Chairman

Abdullah A. Al Asfor

Board Member

Laila A. Al Ibrahim

Board Member

Bader J. Al Hajri

Board Member

Mohammed I. Al Hadaib

Board Member

Ghanima N. M. Alnajem

Board Member

Fahad H. Al-Shamlan

Board Member

A blurred background image of a desk with a pen and papers. The image is warm-toned and out of focus, showing a pen lying on a document with some faint text visible. The overall aesthetic is professional and clean.

Chairman Message



IN THE NAME OF ALLAH, MOST GRACIOUS MOST MERCIFUL

The respected shareholders

Greeting,

My brothers and I, the board members of Kuwait International Investment Holding Company are pleased to welcome you to the annual meeting of your esteemed association, praying to God Almighty for safety and continued wellness and to protect us and you from the evil of this pandemic. With the help of God, we begin our meeting by presenting to you the report of the Board of Directors on the company's activity and financial performance for the fiscal year ending on December 31, 2020.

The Financial Performance

The year 2020 was an exceptional year as the world witnessed the catastrophe of the spread of the Corona pandemic (Covid 19), which cast a heavy shadow over various economic sectors, and despite the repercussions of this pandemic, the company was able to maintain its performance according to the plan set to deal with the conditions of the spread of this pandemic.

The company practiced its activities with working conditions under the health precautionary measures imposed locally and internationally, as it was able, praise be to God, to achieve profits of 3.1 million Kuwaiti dinars in 2020, compared to profits of 3.5 million Kuwaiti dinars in 2019, i.e., a profit of 120 fils per share compared to 140 fils per share in 2019, and shareholders' equity increased from 47.4 million Kuwaiti dinars in 2019 to 51.9 million Kuwaiti dinars in 2020.

Future Projects

In the framework of implementing the planned strategy, the company will continue to invest in assets with income and growth in its market value. During the fiscal year 2020, the company reviewed its investment portfolio according to the current conditions and their negative repercussions on various assets, where some investments were exited and others entered to achieve better returns. And reduce risks through a flexible and conservative strategy in order to overcome this ordeal and get out of it with the best results, with the help of God.

In conclusion, I extend my sincere thanks to you for your confidence and to the members of the board of directors and the employees of the company. we ask God to lift this pandemic from us and the whole world, and to protect Kuwait and its people from all harm.

May Allah Grant Success

Hamed Mohammed Al-Aiban

Chairman



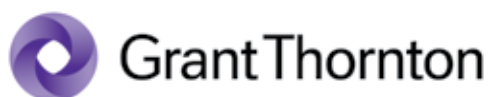
Financial Statements



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kuwait International Investment Holding Company K.S.C. (Public)
State of Kuwait

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kuwait International Investment Holding Company K.S.C. (Public) ("the Company"), which comprise the statement of financial position as at December 31, 2020, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

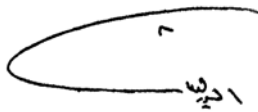
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide 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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the financial statements incorporate the information required by the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, and the Company's Memorandum of Incorporation and Articles of Association, as amended. We further report that we have obtained all the information and explanations that we required for the purpose of our audit, proper books of account have been kept by the Company, and the financial statements, together with the contents of the report of the Company's board of directors relating to these financial statements, are in accordance therewith, and to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, nor of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended December 31, 2020, that might have had a material effect on the business or financial position of the Company.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
Grant Thornton – Al-Qatami, Al-Aiban & Partners



Dr. Shuaib A. Shuaib
(Licence No. 33-A)
RSM Albazie & Co.

State of Kuwait
19 May 2021



STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

All amounts are in Kuwaiti Dinars

	Notes	2020	2019
ASSETS			
Current assets:			
Cash and cash equivalents	3	1,839,931	413,519
Financial assets at fair value through profit or loss	4	28,684,464	25,645,674
Debit balances and other assets	5	318,415	551,482
Total current assets		30,842,810	26,610,675
Non-current assets:			
Financial assets at fair value through other comprehensive income	6	22,724,410	20,377,339
Property under development	7	1,208,130	1,252,062
Investment property	8	1,789,470	1,789,470
Total non-current assets		25,722,010	23,418,871
Total assets		56,564,820	50,029,546
LIABILITIES AND EQUITY			
Current liability:			
Wakala payables	9	400,000	-
Credit balances and other liabilities	10	2,640,734	2,480,905
Total current liability		3,040,734	2,480,905
Non-current liability:			
Wakala payables	9	1,600,000	-
Provision for end of service indemnity		111,122	100,707
Total non-current liability		1,711,122	100,707
Total liabilities		4,751,856	2,581,612
Equity:			
Share capital	11	2,579,075	1,719,383
Statutory reserve	13	4,203,210	4,203,210
Voluntary reserve	14	4,203,210	4,203,210
Treasury shares	15	(13,399)	(13,399)
Cumulative changes in fair value reserve		5,404,281	1,514,091
Retained earnings		35,436,587	35,821,439
Total equity		51,812,964	47,447,934
Total liabilities and equity		56,564,820	50,029,546

Hamed Mohammed Al-Aiban

Chairman



STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2020

All amounts are in Kuwaiti Dinars

	Notes	2020	2019
Revenues:			
Rental income	16	1,290,873	1,614,308
		1,290,873	1,614,308
Expenses:			
Rental cost		(563,558)	(659,704)
General and administrative expenses		(534,010)	(581,162)
Allowance for expected credit losses	5 - b	(1,424,810)	(240,166)
		(2,522,378)	(1,481,032)
Gains, losses and other items:			
Net investments income	17	4,408,184	3,510,561
Change in fair value of property under development	7	(43,932)	-
Other income		17,741	11,685
Profit for the year before contributions to Kuwait Foundation for the Advancement of Science (KFAS) and Zakat			
		3,150,488	3,655,522
Contribution to KFAS	2 - n	(31,505)	(36,555)
Contribution to Zakat	2 - o	(39,347)	(33,539)
Profit for the year		3,079,636	3,585,428
Earnings per share:			
		Fils	Fils
Basic and diluted earnings per share	18	120	140



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

All amounts are in Kuwaiti Dinars

	Note	2020	2019
Profit for the year		3,079,636	3,585,428
Other comprehensive income (loss):			
Item that will not be reclassified subsequently to statement of profit or loss:			
Change in fair value of financial assets (equity instruments) at fair value through other comprehensive income	6	1,626,867	(215,317)
Other comprehensive income (loss) for the year		1,626,867	(215,317)
Total comprehensive income for the year		4,706,503	3,370,111



STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

All amounts are in Kuwaiti Dinars

	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Cumulative changes in fair value	Retained earnings	Total equity
Balance as at January 1, 2019	1,146,255	4,203,210	4,203,210	(13,399)	1,778,207	32,983,387	44,300,870
Issue of bonus shares (Note 11)	573,128	-	-	-	-	(573,128)	-
Dividend distribution (Note 12)	-	-	-	-	-	(227,793)	(227,793)
Gain on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	4,746	4,746
Transfer to retained earnings upon sale of financial assets at fair value through other comprehensive income	-	-	-	-	(48,799)	48,799	-
Profit for the year	-	-	-	-	-	3,585,428	3,585,428
Other comprehensive loss for the year	-	-	-	-	(215,317)	-	(215,317)
Total comprehensive (loss) income for the year	-	-	-	-	(215,317)	3,585,428	3,370,111
Balance as at December 31, 2019	1,719,383	4,203,210	4,203,210	(13,399)	1,514,091	35,821,439	47,447,934
Issue of bonus shares (Note 11)	859,692	-	-	-	-	(859,692)	-
Dividend distribution (Note 12)	-	-	-	-	-	(341,673)	(341,673)
Gain on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	200	200
Transfer to retained earnings upon sale of financial assets at fair value through other comprehensive income	-	-	-	-	2,263,323	(2,263,323)	-
Profit for the year	-	-	-	-	-	3,079,636	3,079,636
Other comprehensive income for the year	-	-	-	-	1,626,867	-	1,626,867
Total comprehensive income for the year	-	-	-	-	1,626,867	3,079,636	4,706,503
Balance as at December 31, 2020	2,579,075	4,203,210	4,203,210	(13,399)	5,404,281	35,436,587	51,812,964

The accompanying notes from (1) to (24) form an integral part of these financial statements.



STATEMENT OF CASH FLOWS

For the year ended December 31, 2020

All amounts are in Kuwaiti Dinars

	Notes	2020	2019
Cash flows from operating activities:			
Profit for the year before contributions to KFAS and Zakat		3,150,488	3,655,522
Adjustments:			
Net investments income	17	(4,408,184)	(3,510,561)
Change in fair value of property under development	7	43,932	-
Allowance for expected credit losses	5 – b	1,424,810	240,166
Provision for end of service indemnity		10,415	8,052
		221,461	393,179
Changes in operating assets and liabilities:			
Debit balances and other assets		106,730	(127,130)
Credit balances and other liabilities		14,620	(799,171)
Cash flow generated from (used in) operations		342,811	(533,122)
Payment of end of service indemnity		-	(576)
Payment of Zakat		(8,169)	(30,548)
Net cash flow generated from (used in) operating activities		334,642	(564,246)
Cash flows from investing activities:			
Proceeds from sale of financial assets at fair value through profit or loss		4,307,394	1,553,311
Paid for purchase of financial assets at fair value through profit or loss	4	(5,162,339)	(1,440,038)
Paid for purchase of financial assets at fair value through other comprehensive income	6	(2,720,701)	(5,974,277)
Proceeds from sale of financial assets at fair value through other comprehensive income	6	2,000,497	432,153
Dividend income received		926,066	5,260,920
Net cash flow used in investing activities		(649,083)	(167,931)
Cash flows from financing activities:			
Proceeds from wakala payables		2,000,000	-
Dividends paid to shareholders		(259,147)	(193,046)
Net cash flow generated from (used in) financing activities		1,740,853	(193,046)
Net increase (decrease) in cash and cash equivalents		1,426,412	(925,223)
Cash and cash equivalents at beginning of the year		413,519	1,338,742
Cash and cash equivalents at end of the year	3	1,839,931	413,519
Non-cash transactions:			
Accrued dividend income	5	1,298,273	-
Addition on financial assets at fair value through profit or loss		-	(588,961)
Addition on financial assets at fair value through other comprehensive income		-	(727,921)

For the year ended December 31, 2018



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts are in Kuwaiti Dinars

1. INCORPORATION AND ACTIVITIES OF THE COMPANY

Kuwait International Investment Holding Company K.S.C. (Public) (Formerly: Kuwait International Investment Company K.S.C.(Public)) "the Company" is a Kuwaiti Holding Shareholding Company (Public) registered in State of Kuwait. The Company was incorporated pursuant to an Amiri Decree issued on September 22, 1973, and Memorandum of Incorporation of a Kuwaiti Shareholding Company, authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department in the State of Kuwait under Ref. No. 1008/H/ Volume 2 on September 13, 1973, and its subsequent amendment in which the latest was notarized on the Company's commercial register on October 26, 2020.

The Company's activities are as follows:

1. Managing the Company's subsidiaries and participating in managing other companies in which it holds ownership stakes and providing necessary support thereto.
2. Investing funds through trading in shares, bonds and other financial securities.
3. Acquisition of properties and movables necessary to carry out business activities as allowable by the Law.
4. Financing and extending loans to investee companies and providing guarantees to third parties, provided that the ownership of the Company is not less than 20% in the lending company.
5. Acquisition of industrial rights and related intellectual properties, trademarks, industrial models, franchises and other rights, and renting such properties and rights to subsidiaries and other companies, inside State of Kuwait or abroad.

The Company has the right to carry out its activities inside the State of Kuwait or abroad whether directly or through power of attorney, the Company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in the State of Kuwait or abroad. The Company has the right to establish, participate in or acquire such institutions.

The Company is registered in the commercial register under Ref. No. 19662 on November 28, 1973.

The Company's registered address is P.O. Box 22792 – Safat 13088, State of Kuwait.

The financial statements of the Company were authorized for issue by the Company's Board of Directors on May 19, 2021. The financial statements are subject to the approval of the General Assembly of the Company's shareholders. The shareholders' General Assembly has the power to amend these financial statements after issuance.



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The accompanying financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

The financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Company and are prepared under the historical cost basis, except for, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income ("FVOCI"), investment property and property under development that are stated at their fair values.

The preparation financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Company's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note (2 – r). The key sources of estimation uncertainty are consistent with the annual audited financial statements of the Company for the year ended December 31, 2019, except for the impact of the COVID-19 outbreak on the Company which is detailed in (Note – 24).

Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2020:

Amendments to IFRS 3 – Definition of a Business

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

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



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 – 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 uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

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.

The 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.

Amendments to IFRS 16 – Covid-19 Related Rent Concessions

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

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

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

These amendments had no impact on the financial statements of the Company.



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations issued but not effective

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Company:

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued on 29 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 amendment is not expected to have a material impact on the Company.

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.

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



NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annual Improvements to IFRS Standards 2018-2020 cycle

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

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.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company 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. These amendments are not expected to have a material impact on the financial statements of the Company.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

These standards and amendments are not expected to have a material impact on the financial statements of the Company.

b) Current vs non-current classification

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- The Company classifies all other assets as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.



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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments

The Company classifies its financial instruments as “financial assets” and “financial liabilities”. Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Returns, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, debit balances and other assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and credit balances and other liabilities.

Financial assets

1. Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Company determines its business model at the level that best reflects how it manages Companies of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is 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 FVPL. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Company reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Initial recognition

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Company has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Company has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

The Company classifies its financial assets upon initial recognition into the following categories:

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.
- Financial assets at fair value through profit or loss (FVPL).

Debt instruments at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions:

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

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of income. Gain and losses are recognized in statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Cash and cash equivalents, debit balances and other assets are classified as debt instruments at amortized cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debit balances and other assets

Debit balances and other assets are amounts due from customers for services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see above) are measured at FVPL. Specifically:

- Investments in equity instruments are classified as at FVPL, unless the Company designates an equity investment as at FVTOCI on initial recognition (see above).
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see above) are classified as at FVPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Changes in fair value, gain on disposal, interest income and dividends are recorded in statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The Company classifies investments in quoted equity and debt investments under financial assets at FVPL in the statement of financial position.

Equity instruments at FVOCI

Upon initial recognition, the company may elect to classify irrevocably some of its equity instruments at FVOCI where they are neither held for trading nor a contingent consideration arising from a business combination. Such classification is determined on an instrument-by- instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognized in statement of profit or loss when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

The Company classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the statement of financial position.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

II. Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For debit and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Company has established a provision matrix that is based on the Company's 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.

For debt instruments classified at FVOCI, the Company has applied a forward-looking approach wherein recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, the Company applies a three-stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- Stage 3 (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

In assessing whether the credit quality on a financial instrument has deteriorated significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to statement of profit or loss. For debt instruments at FVOCI, the loss allowance is charged to statement of profit or loss and is recognized in OCI.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVPL or at amortized cost using effective interest rate method.

Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is:

- (i) contingent consideration of an acquirer in a business combination,
- (ii) held for trading or
- (iii) it is designated as at FVPL.

Financial liabilities at FVPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities that are not at FVPL as above are measured subsequently at amortized cost using the effective interest method.

Islamic banking facilities:

Islamic banking facilities are represented in the Islamic Wakala contracts, which represents the amounts due to pay for purchased assets for others on deferred basis as per its respective credit agreements. Such facilities are stated in the total credit balances after deducting finance charges amounts pertaining to future periods. Those finance charges balances are amortized on a time apportionment basis using effective interest method.

Credit balances and other liabilities

Credit balance and other liabilities include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest 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.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in statement of profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

d) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss for the period in which they arise.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company 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 derecognized.

Investment properties are derecognized when either they have been disposed of (i.e. at the date the recipient obtains control) 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 recognized in the statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

e) Properties under development

Properties under development are developed for future sale in the ordinary course of business by transfer to inventory properties, rather than to be held for rental or capital appreciation and are stated at the lower of cost or net realizable value. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed.

Properties under development are valued at the end of each period, and any change in fair value of properties under development from the carrying amount is recognized as unrealized gain or loss in the statement of profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated 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.

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 recognized immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

g) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

h) Dividend distribution to shareholders

The Company recognizes a liability to make cash and non-cash distributions to shareholders of the Company when the distribution is authorized, and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders of the company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of statement of financial position.

i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Treasury shares

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable till the holding period of treasury shares. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

k) Revenue from contract with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The Company applies a five step model as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company recognizes revenue either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. The Company transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Company's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.



NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Company considers the following factors in determining whether control of an asset has been transferred:

- The Company has a present right to payment for the asset.
- The Customer has legal title to the asset.
- The Company has transferred physical possession of the asset.
- The Customer has the significant risks and rewards of ownership of the asset.
- The Customer has accepted the asset.

The Company recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Company expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Company is expensed as the amortization period of such costs is less than a year.

Revenue for the Company arises from the following activities:

a) Other income

Other income is recognized based on accrual basis.

l) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease:

The Company as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.



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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company as lessee

Amounts due from lessees under operating leases are recorded in the statement of profit or loss on a straight-line basis over the term of the relevant lease. Operating lease income received and accrued as incentive to enter operating lease contract are allocated on a straight-line basis over the term of the relevant lease.

n) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS):

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit of the Company before contribution to KFAS and Zakat, and after deducting the transfer to statutory reserve.

o) Contribution to Zakat:

Contribution to Zakat is calculated at 1% on the profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, and Zakat, and after deducting the cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

p) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as FVOCI are included in "cumulative changes in fair value" in other comprehensive income, translation differences on monetary items such as debt instruments classified as FVOCI are included in statement of profit or loss.

q) Contingencies

Contingent liabilities are not recognized in the financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

r) Critical accounting estimates and judgments

The Company makes judgments, estimates and assumptions concerning the future. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.



NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A- Judgments:

In the process of applying the Company's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

1) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note (2 - k) are met requires significant judgment.

2) Classification of Land

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

1) Properties under development:

When the intention of the Company is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Investment properties:

When the intention of the Company is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

3) Classification of financial assets

On acquisition of a financial asset, the Company decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets of the instrument's contractual cash flow characteristics. The Company follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 - c).

4) Allowance for expected credit losses

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

B- Estimates and assumptions:

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

1) Fair value of unquoted financial assets

If the market for a financial asset is not active or not available, the Company establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Company to make estimates about expected future cash flows and discount rates that are subject to uncertainty.



NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) Allowance for expected credit losses

The extent of allowance for expected credit losses involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach. Bad debts are written off when identified. The benchmarks for determining the amount of provision for write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

3) Valuation of investment properties and properties under development

The Company carries its investment properties and properties under development at fair value, with change in fair values being recognized in the statement of profit or loss. The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined.

Three main methods were used to determine the fair value of the investment properties and properties under development:

- (a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
- (b) Income approach, where the property's value is estimated based on the its income produced and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
- (c) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

4) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.



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3. CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand and at banks	1,262,094	296,908
Cash at trading account	435,569	-
Cash at investment portfolio	142,268	116,611
	1,839,931	413,519

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020	2019
Quoted:		
Equity securities	18,756,823	21,419,829
Portfolio investment	5,627,153	-
	24,383,976	21,419,829
Unquoted:		
Equity securities	4,300,488	4,225,845
	28,684,464	25,645,674

The movement during the year was as follows:

	2020	2019
Balance at the beginning of the year	25,645,674	23,839,013
Additions	5,162,339	2,028,999
Disposals	(4,287,009)	(2,759,320)
Change in fair value (Note 17)	2,163,460	2,536,982
Balance at the end of the year	28,684,464	25,645,674

Financial assets at fair value through profit and loss includes an investment in a portfolio for a fair value of KD 5,627,153 as at December 31, 2020 pledged in favor of the lending bank (Note 9).



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5. DEBIT BALANCES AND OTHER ASSETS

	2020	2019
Tenants receivable * (a)	590,613	300,006
Less: Allowance for expected credit losses (b)	(366,703)	(240,166)
	223,910	59,840
Other receivables	1,925	1,925
Cash dividend receivable	1,298,273	-
Less: Allowance for expected credit losses (b)	(1,298,273)	-
	-	-
Staff receivables	7,798	12,939
Prepaid expenses	31,183	424,635
Refundable deposits	300	300
LG margin	47,250	47,250
Others	6,049	4,593
	318,415	551,482

(a) Tenants receivable:

Tenants receivable is noninterest bearing and are generally due within 90 days.

The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all tenants receivables as this item do not have a significant financing component. In measuring the expected credit losses, tenants receivables has been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

There has been no change in the estimation techniques or significant assumptions made during the current year.

The aging analysis of these tenant's receivable is as follows:

	Past due				Total
	Less than 90 days	91 – 180 days	181 – 365 days	Impaired	
2020	219,800	-	4,110	366,703	590,613
2019	54,380	2,400	3,060	240,166	300,006

* Tenants receivable includes due from related parties balance amounting to KD 366,703 as at December 31, 2020 (2019 – KD 240,166) (Note – 19).



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5. DEBIT BALANCES AND OTHER ASSETS (CONTINUED)

(b) Allowance for expected credit losses

The movement in allowance for credit losses is as follows:

	2020	2019
Balance at the beginning of the year	240,166	-
Charge for the year *	1,424,810	240,166
Balance at the end of the year	1,664,976	240,166

* During the year ended December 31, 2020, the Company booked a provision amounting to KD 1,298,273 for divided income receivable from an investment in preferred shares held outside the State of Kuwait, from a conservative point of view as the investee company is engaged in hotel services which is highly impacted with the spread of COVID -19 (Note 24).

(c) Operating leases, in which the Company is the lessor, relate to investment property owned by the Company with lease terms. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

(d) Other classes within debit balances and other assets do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Company does not hold any collateral as security, for debit balances and other assets.



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6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
Quoted:		
Equity securities	120,760	4,252,610
Portfolios and investment funds	5,268,132	3,406,007
	5,388,892	7,658,617
Unquoted:		
Equity securities	17,335,518	12,718,722
	22,724,410	20,377,339

Movement during the year was as follows:

	2020	2019
Balance at the beginning of the year	20,377,339	14,322,611
Additions	2,720,701	6,702,198
Disposals	(2,000,497)	(432,153)
Change in fair value	1,626,867	(215,317)
Balance at the end of the year	22,724,410	20,377,339

Financial assets at fair value through other comprehensive income includes an investment in a portfolio for a fair value of KD 207,465 as at December 31, 2020 (December 31, 2019 – KD 3,394,894) managed by a related party.

Financial assets at fair value through other comprehensive income includes an investment in a portfolio for a fair value of KD 5,051,168 as at December 31, 2020 pledged for Wakala payables (Note 9).

Equity shares include an investment in preferred shares that give its holder the right to cash dividends of an accumulative nature to be paid upon declaration (Note 5 - b).



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7. PROPERTY UNDER DEVELOPMENT

This represents the Company's 10.983% share in right of utilization of a land located in Al-Dubaiya, leased from the Ministry of Finance in State of Kuwait. The right of utilization is jointly owned by the Company and other investors through a real estate portfolio agreement. Under the agreement, the real estate is being developed by another investor, which is a company specialized in the field of real estate investments.

The movement during the year was as follows:

	2020	2019
Balance at the beginning of the year	1,252,062	1,252,062
Change in fair value	(43,932)	-
Balance at the end of the year	<u>1,208,130</u>	<u>1,252,062</u>

The fair value of Property under development was based on the valuations performed by accredited independent valuation valuer using recognized valuation techniques and principles.

In estimating the fair value of property under development, the valuers used the valuation techniques listed in the following schedule who considered the nature and usage of the property under development.

Class of property under development	2020	
	Valuation technique	Level 2
Land	Comparable market prices	<u>1,208,130</u>
	2019	
Class of property under development	Valuation technique	Level 2
Land	Comparable market prices	<u>1,252,062</u>



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8. INVESTMENT PROPERTY

Investment property represents 64.2% interest in a property located in Dubai - United Arab Emirates. The Company acquired the property for USD 5,898,755 (Equivalent to KD 1,791,240) pursuant to a sale and purchase agreement dated October 28, 2015 between the Company and a related party. The terms of the sale and purchase agreement specified that property's title deed will continue to be registered under the seller's name, both the buyer and the seller retain a repurchase and resale right (call and put option), which has been renewed till December 31, 2020 at an amount equal to the carrying value of the property as at December 31, 2020. The property is managed by the seller in return of 7% of the purchase price as an annual rate of return, payable to the Company every three months.

9. WAKALA PAYABLES

	2020	2019
Total liability	2,037,397	-
Less: unamortized future finance charge	(37,397)	-
Present value of liability	2,000,000	-
<hr/>		
Analyzed as:	2020	2019
Current portion	400,000	-
Non-current portion	1,600,000	-
	2,000,000	-

During the year ended December 31, 2020, the Company signed a Wakala facility agreement with a local bank for a total amount of KD 5,000,000 carrying an annual interest rates of 2.5% over the Central Bank of Kuwait discount rate, from which the company has utilized an amount of KD 2,000,000 for a tenure of 6 years. The loan is repayable on semiannual installments starting from June 2021 till December 2026.

Wakala is secured by pledging financial assets at fair value through profit or loss for an amount of KD 5,627,153 (Note 4) and financial assets at fair value through other comprehensive income for an amount of KD 5,051,168 (Note 6) as at December 31, 2020.

10. CREDIT BALANCES AND OTHER LIABILITIES

	2020	2019
Accrued expenses	66,119	43,188
Due to related parties (Note 19)	763,450	753,997
KFAS payable	1,218,625	1,187,120
Zakat payable	220,556	189,378
Other payables	371,984	307,222
	2,640,734	2,480,905



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11. SHARE CAPITAL

Authorized, capital consists of 25,790,745 shares of 100 fils each (2019 – 21,462,550 shares of 100 fils each), all are in cash. The Company's capital is presented as follows:

	2020	2019
Authorized capital	1,719,383	2,146,255
Issue of bonus shares	859,692	573,128
Unpaid capital	-	(1,000,000)
Paid up capital	2,579,075	1,719,383

Pursuant to memorandum No. 10/26 issued by the Department of Shareholding Companies dated October 26, 2020, based on the Extraordinary General Assembly meeting held on July 29, 2020, it was approved to increase the issued and paid up share capital of the Company from KD 1,719,383 (represented by 17,193,830 shares of 100 fils each) to KD 2,579,075 (represented by 25,790,745 shares of 100 fils each), increase by KD 859,692 through the distribution of bonus shares by 50% to current shareholders registered in the Company's records as per the general assembly meeting date. Accordingly, Article No. 6 of the Memorandum of Incorporation and Article No. 5 of the Articles of Association are amended as follows:

Article before amendment

The Company's authorized capital is determined at KD 2,146,255 (Two Million One Hundred Forty Six Thousand & Two Hundred Fifty Five Kuwaiti Dinar), distributed among 21,462,550 shares, 100 fils each and all shares are in cash, and the issued and paid up capital is determined at KD 1,719,383 (One Million Seven Hundred Nineteen Thousand & Three Hundred Eighty Three Kuwaiti Dinar) distributed among 17,193,830 shares, 100 fils each and all shares are in cash.

Article after amendment

The Company's authorized capital is determined at KD 2,579,075 (Two Million Five Hundred Seventy Nine & Seventy five Kuwaiti Dinar), distributed among 25,790,745 shares, 100 fils each and all shares are in cash.

This amendment was registered in the Company's Commercial Register at the Ministry of Commerce and Industry on May 26, 2020.



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12. DIVIDEND DISTRIBUTION

a- Proposed cash dividends by the Board of Directors:

The Board of Directors' meeting held on April 15, 2021 recommended distribution of 15% dividends of the shares' par value (15 fils per share), for the year ended December 31, 2020. These recommendations are subject to the approval of the Shareholders' Annual General Assembly.

b- Proposed bonus shares by the Board of Directors:

The Board of Directors' meeting held on April 15, 2021 proposed to issue bonus shares of 30% of capital (30 bonus shares for every 100 share). This recommendation is subject to the approval of the Shareholders' Annual General Assembly.

The Company's Shareholders' Ordinary General Assembly meeting held on July 29, 2020 approved the financial statements of the Company for the year ended December 31, 2019 and the distribution of 20% cash dividends of the outstanding shares' par value as of the distribution approval date (20 fils per share), equivalent to KD 341,673 and 50% bonus shares of the issued and paid capital amounting to 8,596,915 shares for KD 859,692 and a remuneration to the Board of Directors for an amount of KD 40,000 for the year ended December 31, 2019.

The Company's Shareholders' Ordinary General Assembly meeting held on April 23, 2019 approved the financial statements of the Company for the year ended December 31, 2018 and the distribution of 20% cash dividends of the shares' par value (20 fils per share), equivalent to KD 227,793.

13. STATUTORY RESERVE

As required by the Companies Law and the Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to shareholders of the Company before contributions to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by the Companies Law and the Company's Articles of Association. Since the statutory reserve exceeds 50% of the Company's issued capital, the Board of Directors in its meeting held on July 29, 2020, resolved to cease any transfer to the statutory reserve.

14. VOLUNTARY RESERVE

As required by the Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Company before contributions to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Since the voluntary reserve exceeds 50% of the Company's issued capital, the board of Directors in its meeting held on July 29, 2020, resolved to cease any transfer to the voluntary reserve.



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15. TREASURY SHARES

	2020	2019
Number of shares	160,947	107,298
Cost	13,399	13,399
Percentage to issued shares (%)	0.62%	0.62%

16. RENTAL INCOME

Rental income includes an amount of KD 1,164,291 (2019: KD 1,488,942) arising from managing an investment property, constructed on a leased land pursuant to an agreement with the Ministry of Finance – State Property Management Department. The agreement expired on October 22, 2010.

The Company continues to manage the property pending renewal of the agreement. The company makes the rent payments regularly and the latest payment was on January 21, 2021 in accordance with the original signed agreement.

17. NET INVESTMENTS INCOME

	2020	2019
Unrealized gain from changes in fair value of financial assets at fair value through profit or loss (Note 4)	2,163,460	2,536,982
Realized gain on sale of financial assets at fair value through profit or loss	20,385	110,873
Dividend income	2,224,339	862,706
	4,408,184	3,510,561



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18. BASIC AND DILUTED EARNINGS PER SHARE

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year after deducting treasury shares is as follows:

	2020	2019
Profit for the year	3,079,636	3,585,428
Outstanding shares:		
Weighted average number of issued shares (share)	17,193,830	17,193,830
Add: Bonus shares	8,596,915	8,596,915
Less: Weighted average number of treasury shares (share)	(160,947)	(160,947)
Weighted average number of outstanding shares	25,629,798	25,629,798
Basic and diluted earnings per share (Fils)	120	140

Basic earnings per share for the year ended December 31, 2019 was 210 fils before restatement for the issue of bonus shares.



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19. RELATED PARTIES' DISCLOSURES

The Company has entered into various transactions with related parties, i.e., shareholders and other related parties. Prices and terms of payment are approved by the Company's management. Significant related party transactions and balances are as follows:

Balances included in the statement of financial position:	shareholders	Other related parties	Total	
			2020	2019
Financial assets at fair value through profit or loss	17,711,814	-	17,711,814	15,076,034
Investment property	-	1,789,470	1,789,470	1,789,470
Debit balances and other assets	-	366,703	366,703	240,166
Credit balances and other liabilities (Note 10)	(678,289)	(85,161)	(763,450)	(753,997)
Financial assets at fair value through other comprehensive income	207,465	1,149,909	1,357,374	4,345,137

Transactions included in the statement of profit or loss:	shareholders	Other related parties	Total	
			2020	2019
Net investments income	1,116,336	-	1,116,336	8,267,007
Rental income	-	126,537	126,537	125,365
Rental cost	(145,000)	-	(145,000)	(145,000)
Professional fees	(232,590)	-	(232,590)	(282,859)

Key management personnel	2020	2019
Board of directors' remuneration	40,000	80,000

20. LEGAL CLAIMS

There are certain lawsuits raised by / against the Company, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Company's management and legal counsel, there will be no material adverse impact on the Company's financial statements, and hence, no additional provisions were recorded in the Company's records due to the sufficiency of the currently recorded provisions for those claims as of the financial statements date.



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21. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company uses primary financial instruments such as cash and cash equivalents, debit balances and other assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and credit balances, wakala payables, and other liabilities and as a result, it is exposed to the risks indicated below. The Company currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk:

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets liabilities carrying floating interest rates. The effective interest rates and the periods in which interest bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit through the impact on floating rate borrowings:

	2020		
	Increase (Decrease) in interest rate	Balance on December 31 (KD)	Effect on statement of profit or loss
Wakala payables	+ 5.0%	2,000,000	+ 10,000

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 Company to credit risk consist principally of cash at banks and receivables. Receivables are presented net of allowance for expected credit losses. Credit risk with respect to receivables is limited due to the large number of customers.

Cash at banks

The Company's cash at banks 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 Company's cash is placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Company as the risk of default has not increased significantly since initial recognition.

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

The Company's maximum exposure arising from default of the counterparty is limited to the carrying amount of cash at banks, receivables and due from related parties.



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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Company's forecasted cash flows by maintaining adequate cash reserves and matching the maturity profiles of financial assets and liabilities.

The maturity profile of assets and liabilities as of December 31 was as follows:

	1 month	1-3 months	3-12 months	1 - 5 years	Total
2020					
ASSETS					
Cash and cash equivalents	1,839,931	-	-	-	1,839,931
Financial assets at fair value through profit or loss	-	-	28,684,464	-	28,684,464
Debit balances and other assets	-	-	318,415	-	318,415
Financial assets at fair value through other comprehensive income	-	-	-	22,724,410	22,724,410
Property under development	-	-	-	1,208,130	1,208,130
Investment property	-	-	-	1,789,470	1,789,470
Total assets	1,839,931	-	29,002,879	25,722,010	56,564,820
LIABILITIES:					
Credit balances and other liabilities	-	-	2,640,734	-	2,640,734
Wakala payables	-	-	400,000	1,600,000	2,000,000
Provision for end of service indemnity	-	-	-	111,122	111,122
Total liabilities	-	-	3,040,734	1,711,122	4,751,856
	1 month	1-3 months	3-12 months	1 - 5 years	Total
2019					
ASSETS					
Cash and cash equivalents	413,519	-	-	-	413,519
Financial assets at fair value through profit or loss	-	-	25,645,674	-	25,645,674
Debit balances and other assets	-	-	551,482	-	551,482
Financial assets at fair value through other comprehensive income	-	-	-	20,377,339	20,377,339
Property under development	-	-	-	1,252,062	1,252,062
Investment property	-	-	-	1,789,470	1,789,470
Total assets	413,519	-	26,197,156	23,418,871	50,029,546
LIABILITIES:					
Credit balances and other liabilities	-	-	2,480,905	-	2,480,905
Provision for end of service indemnity	-	-	-	100,707	100,707
Total liabilities	-	-	2,480,905	100,707	2,581,612



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21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk:

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment in equity securities classified as "at fair value through profit or loss" and "at fair value through other comprehensive income". To manage such risks, the Company diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Company had significant exposure as of the reporting date:

Market indices	2020		
	Change in equity instrument price	Effect on statement of profit or loss	Effect on statement of profit or loss and other comprehensive income
Kuwait Stock Exchange	± 5%	± 886,669	± 6,038
Bahrain Stock Exchange	± 5%	± 29,633	-
Jordan Stock Exchange	± 5%	± 21,538	-
Market indices	2019		
	Change in equity instrument price	Effect on statement of profit or loss	Effect on statement of profit or loss and other comprehensive income
Kuwait Stock Exchange	± 5%	± 1,019,451	± 212,631
Bahrain Stock Exchange	± 5%	± 25,648	-
Jordan Stock Exchange	± 5%	± 25,846	-
Dubai Stock Exchange	± 5%	± 47	-



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22. FAIR VALUE MEASUREMENT

Company measures financial assets such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and non-financial assets such as property under development and investment property at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	24,383,976	16,175	4,284,313	28,684,464
Financial assets at fair value through other comprehensive income	5,379,394	9,498	17,335,518	22,724,410
	29,763,370	25,673	21,619,831	51,408,874

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	21,419,829	16,175	4,209,670	25,645,674
Financial assets at fair value through other comprehensive income	4,252,610	3,406,007	12,718,722	20,377,339
	25,672,439	3,422,182	16,928,392	46,023,013

The fair value details of property under development is mentioned in Note (7).



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22. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the verification of opening and ending balances of the financial assets included in level 3, measured at fair value:

	January 1, 2020	Additions	Disposals	Change in fair value	December 31, 2020
Financial assets at fair value through profit or loss	4,209,670	-	-	74,643	4,284,313
Financial assets at fair value through other comprehensive income	12,718,722	2,677,962	-	1,938,834	17,335,518

	January 1, 2019	Additions	Disposals	Change in fair value	December 31, 2019
Financial assets at fair value through profit or loss	10,486,316	-	(706,000)	(5,570,646)	4,209,670
Financial assets at fair value through other comprehensive income	6,413,243	6,692,360	-	(386,881)	12,718,722

Description	Unobservable inputs	Average	Sensitivity
Shares at fair value through other comprehensive income	Growth rate	2.5% to 3.5% (3.0%)	0.25% change would increase / decrease fair value by KD 10,711
	Discount rate	8.0% to 11.0% (9.5%)	1.00% change would increase / decrease fair value by KD (42,843)
Shares at fair value through profit or loss	Growth rate	2.5% to 3.5% (3.0%)	0.25% change would increase / decrease fair value by KD 43,339
	Discount rate	8.0% to 11.0% (9.5%)	1.00% change would increase / decrease fair value by KD (173,355)

At December 31, the fair values of financial instruments approximate their carrying amounts. The management of the Company has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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



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All amounts are in Kuwaiti Dinars

23. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital resources are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Company may adjust the amount of dividends distributions paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2020
Wakala payables	2,000,000
Less: cash and cash equivalents	(1,893,931)
Net debt	106,069
Total equity	51,812,964
Total capital resources	51,919,033
Gearing Ratio	0.2%



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24. IMPACT OF COVID-19

The recent spread of the coronavirus ("COVID-19") across various geographies globally, which was declared a pandemic by the World Health Organization, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications of COVID-19. This note describes the impact of the outbreak on the Company's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 December 2020.

Credit risk management

The management of the Company has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

The uncertainties caused by COVID-19 required the Company to consider the impact of higher volatility in the forward looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2020. For its international operations, the Company updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate. Accordingly, the Company had recognized an impact of KD 1,424,810 as additional allowance of Expected Credit Losses.

Liquidity risk management

In response to the COVID 19 outbreak, the Company is closely evaluating its liquidity and funding position and taking appropriate actions. The Company will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

Fair value measurement of financial instruments

The Company has considered potential impacts of the current market volatility in determination of the reported amounts of the Company's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Company has assessed whether the fair values of the financial assets and liabilities represents the price that would be achieved for transactions between market participants in the current scenario. Accordingly, the Company had recognized an impact of KD 445,353 as fair value loss on financial assets at FVTPL and KD 1,114,828 arising from FVOCI.

Further information on the Company's policy in relation to fair value measurements is disclosed in Note 22.

Fair value measurement of non-financial instruments (Property, plant and equipment and investment properties)

As at the reporting date, the Company has identified the impact on the carrying values of its non-financial assets as at 31 December 2020 due to impact of COVID-19 arising from an impact on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2020. The Company is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Company consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the financial statements.

Accordingly, the company had recognized an impact of KD 43,932 arising from impairment property under development.



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24. IMPACT OF COVID-19 (CONTINUED)

Going concern:

The Company has performed an assessment on its ability to continue as a going concern considering current economic conditions and all available information about future risks and uncertainties. The projections have been prepared to cover the Company's future performance, capital and liquidity requirements. The impact of COVID-19 may continue to evolve, but currently, the projections show that the Company has the required resources to continue in operations on a going concern, such position that remains significantly unaffected and unchanged since December 31, 2019. As a result, those financial statements have been prepared on a going concern basis.

The Company had concluded that no material adjustments are required for liabilities and other assets as of the accompanied financial statement date. The management will need to carefully consider the measurement and recognition requirements for impairment losses on the Company's assets in the future, as the extent and duration of the economic impact of those events remains uncertain, since it depends on future developments that cannot be accurately predicted at this time, such as the rate of virus spread, the effectiveness of the containment measures taken and the trends and effectiveness of approved vaccinations by governmental authorities across the world. Given the ongoing uncertainty for the related economic impact, a reliable estimate of the impact cannot be currently made, but it may affect financial statements in future periods. The impact's magnitude and amount may vary according to the extent and period during which those events are expected to end along with their effects.

