SOKOUK HOLDING COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

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working world

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

Report on the Audit of Consolidated Financial Statements

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in the *"Basis for Qualified Opinion"* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As described in Note 17 to the consolidated financial statements, Islamic finance payables of KD 21,000,000 are secured by a first charge over certain of the Group's land and buildings (the "property") with a carrying value of KD 27,689,750 as at 31 December 2020.

As stated in Note 2 therein, the financing arrangements expired and the amount outstanding was payable on 30 June 2020. The uncertainties arising from the COVID-19 pandemic has made it difficult for the Group to refinance the existing financial liabilities or to access alternative financing arrangements, and accordingly the Group has been unable to conclude renegotiations with the lender.

Subsequent to the reporting date, the Group was subpoenaed by the court to evict and handover the property following a claim lodged by the lender. The Group's external legal counsel is in the process of developing a defense strategy for the pre trial-proceedings mainly claiming the difference between the carrying value of the leased property and the debt obligation outstanding. The court is expected to consider this matter in September 2021.

Considering the range of possible outcomes of the judicial process, we were unable to obtain sufficient appropriate audit evidence at this stage to assess whether the Group continues to have ownership rights or the right to benefit from the recognised property and if the liabilities to which the arrangement applies represent the actual obligations of the Group at the reporting date. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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

Report on the Audit of Consolidated Financial Statements (continued)

Material Uncertainty Related to Going Concern and Impact of COVID-19

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss of KD 17,320,797 during the year ended 31 December 2020 and, as of that date, the Group has significant debt exposure and its current liabilities exceeded its current assets by KD 19,882,979 . In addition to the above, the Group's accumulated losses at the reporting date amounted to KD 28,735,628.

Further, the COVID-19 pandemic has had a severe impact on the global hospitality industry. The travel and border restrictions implemented by the countries in which the Group operates has led to a significant fall in occupancy rates which impacted the Group's financial performance and cash flows.

As stated in Notes 2 and 25 to the consolidated financial statements, these events or conditions, along with other matters as set forth in Note 23 for which we have modified our opinion as described in the *"Basis for Qualified Opinion"* section of our report, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

1. We draw attention to Note 9 to the consolidated financial statements which describes that during the year 2015, the contractor of one of the properties of an associate of the Parent Company i.e. Munshaat Real Estate Projects Company K.S.C.P. ("Munshaat"), domiciled in the Kingdom of Saudi Arabia has claimed an amount equivalent to KD 41 million and Munshaat has filed a counterclaim against the same contractor for delay in completing the project for an amount equivalent to KD 51 million. The ultimate outcome of the matter cannot presently be determined, and accordingly no provision for any liability that may result has been recognised in the consolidated financial statements of the Group as at and for the year ended 31 December 2020. Our opinion is not modified in respect of this matter.

2. We draw attention to Note 9 to the consolidated financial statements, which states that the independent external valuations of right-of-use assets and investment properties included under investment in associates and right-of-use assets at the Group level, are reported on the basis of 'Material valuation uncertainty' due to the potential effect of the Covid-19 pandemic. Consequently, more subjectivity is associated with determining the reasonableness of market assumptions, which are significant to the valuation of non-financial assets, than would normally be the case. Our opinion is not modified in respect of this matter.

Key Audit Matter

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

In addition to the matter(s) described in the *Basis for Qualified Opinion* section or *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Report on the Audit of Consolidated Financial Statements (continued)

Key Audit Matter (continued)

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

Impairment of investment in associates

The Group has investment in associates as at 31 December 2020 that are accounted for under the equity method of accounting, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition share of results and change in the Group's share of net assets of associates less any impairment losses.

Investment in associates are accounted for using the equity method of accounting. After application of the equity method, the Group determines whether there is objective evidence that the investment in associates. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognises the loss within 'Share of results of associates' in the consolidated statement of profit or loss.

The recoverable value of material associates is determined based on the value-in-use, which is mainly derived from the underlying right-of-use asset and investment properties ("CGUs"). The valuations of these CGUs were performed by accredited independent valuers with recognised professional qualification and with relevant experience in the locations and category of the CGUs being valued and is highly dependent on estimates and assumptions such as average room rate, revenue per available room, occupancy rate and discount rates. The share of results reflect the Group's share of results of operations of the associates based on the financial information of the associates.

Given the significant judgment involved in determining the recoverable amount of the investment in associates, in light of the COVID-19 pandemic, the materiality of the share of results and the carrying values of the Group's investment in associates to the overall consolidated financial statements of the Group, we have considered this as a key audit matter.

As part of our audit procedures, with respect to the share of results from associates, we have sent detailed group audit instructions to the auditors of the Group's associates that are material to the consolidated financial statements. The group audit instructions stated the focus areas of the audit and the risks of material misstatement relevant for the purposes of the Group's consolidated financial statements as well as the Group reporting requirements.

Further, to assess the recoverable amount of investment in associates which is mainly derived from the underlying right-of-use asset and investment properties, audit procedures were performed at the Group level which included, assessing the objectivity of the impairment testing process and the competence, independence and integrity of the external valuer. We also evaluated the accuracy of the property data provided by the Group to the independent valuers which are used as input for the purpose of valuation. We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions. We assessed reasonableness of the key assumptions and related estimation uncertainty while considering the impact of the ongoing pandemic

Additionally, we have also assessed the adequacy of disclosures relating to Group's investment in associates in Note 9 to the consolidated financial statements.

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

Report on the Audit of Consolidated Financial Statements (continued)

Other information included in the Group's 2020 Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate audit evidence about the ultimate outcome of the ongoing dispute with the lender and its impact on the amounts of assets and liabilities stated in the consolidated financial statements. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

2 May 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
Hospitality income		**2,171,786**	4,772,682
Hospitality costs		**(1,636,037)**	(2,698,196)
Net hospitality income		**535,749**	2,074,486
Net rental income from investment properties	5	**314,290**	391,252
Share of results of associates	9	**(14,805,421)**	371,688
Management fees		**50,629**	66,997
Net foreign exchange differences		**8,321**	-
Other income		**76,114**	41,105
		(13,820,318)	2,945,528
Staff costs		**(708,201)**	(1,010,262)
Administrative expenses		**(527,771)**	(931,360)
Depreciation of right-of-use assets	10	**(99,880)**	(116,985)
Impairment of right-of-use assets	10	**(106,744)**	(240,861)
Impairment of property and equipment	11	**(523,357)**	(3,293,792)
(Provision for)/ reversal of allowance for expected credit losses	6	**(196,319)**	141,054
Change in fair value of investment properties	7	**(239,000)**	(20,000)
Finance costs on debts and borrowings		**(1,048,873)**	(1,298,225)
Finance costs on lease liabilities	19	**(44,923)**	(47,007)
LOSS BEFORE TAX		**(17,315,386)**	(3,871,910)
Taxation	10	**(5,411)**	(20,209)
LOSS FOR THE YEAR		**(17,320,797)**	(3,892,119)
Attributable to:			
Equity holders of the Parent Company		**(17,086,162)**	(3,421,880)
Non-controlling interests		**(234,635)**	(470,239)
		(17,320,797)	(3,892,119)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	4	**(29.89) Fils**	(5.99) Fils

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	***2020 KD***	*2019 KD*
LOSS FOR THE YEAR		**(17,320,797)**	(3,892,119)
Other comprehensive loss			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Exchange difference on translation of foreign operations		**1,221**	(1,988)
Share of other comprehensive income (loss) of associates	9	**95,710**	(17,373)
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		**96,931**	(19,361)
Other comprehensive income (loss) that will not to be reclassified to profit or loss in subsequent periods			
Net loss on equity instruments designated at FVOCI		**50,722**	(847,710)
Share of other comprehensive loss of associates	9	**(143,986)**	(5,290)
Other comprehensive income (loss) that will not to be reclassified to profit or loss in subsequent periods		**(93,264)**	(853,000)
Other comprehensive income (loss) for the year		**3,667**	(872,361)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(17,317,130)**	(4,764,480)
Attributable to:			
Equity holders of the Parent Company		**(17,082,495)**	(4,294,241)
Non-controlling interests		**(234,635)**	(470,239)
		(17,317,130)	(4,764,480)

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	***2020 KD***	*2019 KD*
ASSETS			
Cash and cash equivalents		**2,705,799**	3,579,465
Inventories		**36,854**	62,746
Accounts receivable and prepayments	6	**1,216,832**	2,113,747
Investment properties	7	**5,141,000**	5,380,000
Financial assets at fair value through other comprehensive income	8	**660,978**	1,069,985
Investment in associates	9	**13,882,458**	28,734,934
Right-of-use assets	10	**2,220,377**	2,526,089
Property and equipment	11	**27,719,874**	28,858,521
TOTAL ASSETS		**53,584,172**	72,325,487
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**59,314,500**	59,314,500
Statutory reserve	14	**2,895,475**	2,895,475
Voluntary reserve	15	**2,895,475**	2,895,475
Treasury shares	16	**(1,769,871)**	(1,769,871)
Effect of changes in other comprehensive income of associates		**(1,916,789)**	(1,868,513)
Foreign currency translation reserve		**55,137**	53,916
Fair value reserve		**(3,882,316)**	(3,933,038)
Other reserve		**(272,250)**	(272,250)
Accumulated losses		**(28,735,628)**	(11,649,466)
Equity attributable to equity holders of the Parent Company		**28,583,733**	45,666,228
Non-controlling interests		**517,070**	751,705
Total equity		**29,100,803**	46,417,933
LIABILITIES			
Islamic finance payables	17	**22,367,500**	23,737,029
Accounts payable and accruals	18	**1,791,272**	1,798,688
Employees' end of service benefits		**324,597**	371,837
Total liabilities		**24,483,369**	25,907,554
TOTAL EQUITY AND LIABILITIES		**53,584,172**	72,325,487

Mr. Nawaf Musaed Abdulaziz Al-Usaimi
Chairman

Mr. Ahmad Mohammad Othman Al Quraishi
Chief Executive Officer

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company											
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Effect of changes in OCI of associates KD*	*Foreign currency translation reserve KD*	*Fair value reserve KD*	*Other reserve KD*	*Accumulated losses KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2020	**59,314,500**	**2,895,475**	**2,895,475**	**(1,769,871)**	**(1,868,513)**	**53,916**	**(3,933,038)**	**(272,250)**	**(11,649,466)**	**45,666,228**	**751,705**	**46,417,933**
Loss for the year	-	-	-	-	-	-	-	-	(17,086,162)	(17,086,162)	(234,635)	(17,320,797)
Other comprehensive (loss) income for the year	-	-	-	-	(48,276)	1,221	50,722	-	-	3,667	-	3,667
Total comprehensive (loss) income for the year	-	-	-	-	(48,276)	1,221	50,722	-	(17,086,162)	(17,082,495)	(234,635)	(17,317,130)
At 31 December 2020	**59,314,500**	**2,895,475**	**2,895,475**	**(1,769,871)**	**(1,916,789)**	**55,137**	**(3,882,316)**	**(272,250)**	**(28,735,628)**	**(28,583,733)**	**517,070**	**29,100,803**
As at 1 January 2019	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,845,850)	55,904	(3,394,528)	(272,250)	(8,839,875)	49,038,980	1,221,944	50,260,924
Loss for the year	-	-	-	-	-	-	-	-	(3,421,880)	(3,421,880)	(470,239)	(3,892,119)
Other comprehensive loss for the year	-	-	-	-	(22,663)	(1,988)	(847,710)	-	-	(872,361)	-	(872,361)
Total comprehensive loss for the year	-	-	-	-	(22,663)	(1,988)	(847,710)	-	(3,421,880)	(4,294,241)	(470,239)	(4,764,480)
Gain on redemption of equity instruments designated at FVOCI	-	-	-	-	-	-	309,200	-	612,289	921,489	-	921,489
At 31 December 2019	59,314,500	2,895,475	2,895,475	(1,769,871)	(1,868,513)	53,916	(3,933,038)	(272,250)	(11,649,466)	45,666,228	751,705	46,417,933

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
OPERATING ACTIVITIES			
Loss for the year before tax		**(17,315,386)**	(3,871,910)
Adjustments to reconcile loss for the year before tax to net cash flows:			
Share of results of associates	9	**14,805,421**	(371,688)
Depreciation of property and equipment	11	**645,470**	817,966
Depreciation of right-of-use assets	10	**288,897**	294,549
Impairment of property and equipment		**523,357**	3,293,792
Impairment of right-of-use assets		**106,744**	240,861
Provision (reversal) for ECL of trade receivables	6	**196,319**	(141,054)
Change in fair value of investment properties	7	**239,000**	20,000
Finance costs on debts and borrowings		**1,048,873**	1,298,225
Finance costs on lease liabilities	19	**44,923**	47,007
Gain on derecognition of right-of-use assets and lease liabilities		**(11,230)**	-
Rent concession income (included under other income)		**(4,000)**	-
Provision for employees' end of service benefits		**52,294**	103,539
Government grant (included under other income)	25	**(5,920)**	-
		614,762	1,731,287
Working capital adjustments:			
Accounts receivable and prepayments		**1,138,625**	492,874
Inventories		**25,892**	(849)
Accounts payable and accruals		**118,874**	(27,451)
Cash flows from operating activities		**1,898,153**	2,195,861
End of service benefits paid		**(99,534)**	(229,120)
Receipt of government grants	25	**5,920**	-
Net cash flows from operating activities		**1,804,539**	1,966,741
INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(8,480)**	(282,345)
Proceeds from partial redemption of an associate		**-**	2,412,107
Net cash flows (used in) from investing activities		**(8,480)**	2,129,762
FINANCING ACTIVITIES			
Repayment of Islamic finance payables		**(1,714,965)**	(1,084,565)
Finance costs paid		**(748,360)**	(1,319,500)
Payment of principal portion of lease liabilities		**(206,400)**	(203,840)
Net cash flows used in financing activities		**(2,669,725)**	(2,607,905)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(873,666)**	1,488,598
Cash and cash equivalents at 1 January		**3,579,465**	2,090,867
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**2,705,799**	3,579,465

The attached notes 1 to 25 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2020

Non-cash items excluded from the consolidated statement of cash flows:			
Redemption of financial assets at FVOCI		**459,729**	-
Additions to right-of-use assets	10	**(409,369)**	(417,292)
Additions to lease liabilities		**409,369**	417,292
Derecognition of right-of-use assets	10	**319,440**	-
Derecognition of lease liabilities		**(330,670)**	-
Transitional adjustment to lease liabilities on adoption of IFRS 16		**-**	538,467
Transitional adjustment to property and equipment on adoption of IFRS 16		**-**	(538,467)

1 CORPORATE INFORMATION

The consolidated financial statements of Sokouk Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 29 April 2021. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The shareholders of the Parent Company at the AGM held on 9 July 2020 approved the consolidated financial statements for the year ended 31 December 2019. No dividends were declared by the shareholders at the AGM.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Company's head office is located at ITS Tower, 3rd floor, Mubarak Al Kabeer Street, Sharq and its registered postal address is at P.O. Box 29110 Safat 13152 - State of Kuwait.

The Parent Company is a subsidiary of Aref Investment Group S.A.K. ("Aref" or the "Ultimate Parent Company"), a closed shareholding company incorporated and domiciled in Kuwait.

The Group is principally engaged in managing real estate projects. The Parent Company's primary objectives as per the Memorandum of Incorporation are, as follows:

- Owning shares of Kuwaiti or foreign shareholding companies or units in Kuwaiti or foreign limited liability companies, or establishing, managing, financing and sponsoring such companies.
- Financing and sponsoring entities in which the Parent Company has an ownership interest of not less than 20% in such entities.
- Owning industrial rights such as patents, industrial trademarks, sponsoring foreign companies or any other related industrial rights and leasing such rights for the benefit of companies inside or outside State of Kuwait.
- Owning movable assets or real estates required to pursue the Parent Company's activities within the limits acceptable by law.
- Utilising available surplus funds by investing these funds in portfolios managed by specialised parties.

The Group carries out its activities in accordance with the principles of Islamic Sharīʿa as approved by the Fatwa and Sharīʿa board appointed by the Parent Company.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The outbreak of the COVID-19 pandemic and the measures adopted by governments in countries worldwide to mitigate the pandemic's spread have significantly impacted the Group. The capacity constraints and restrictions imposed by the government required the Group to temporarily cease its hotel operations for the period of four to five months in 2020. This has negatively impacted the Group's financial performance for the year and also its liquidity position.

The Group incurred a net loss of KD 17,320,797 for the year ended 31 December 2020 (2019: KD 3,892,119) and, as of that date, the Group's current liabilities exceeded its current assets by KD 19,882,979 (2019: KD 17,980,868). Further, the Group's accumulated losses amounted to KD 28,735,628 as at the reporting date (2019: 11,649,466).

The currently known impact of COVID-19 on the Group are:

- A decline in hospitality income of 2020 compared to the same period in 2019 by 54% due to severe travel restrictions and measures taken by the government to partially close hotels and commercial facilities for the public resulting in extremely low occupancy, loss of banquet, meeting, food and beverage revenue offset against lower hospitality costs by 39%.
- Fair value decreases of investment properties amounting to KD 239,000 witnessed during the year ended 31 December 2020.
- Net rental income from investment properties KD 314,290 for the year ended 31 December 2020, down by 20% year-over-year due to lower vacancy and rent concessions provided to leases.
- Share of losses from associates of KD 14,805,421 for the year ended 31 December 2020 as a result of closure of hotels in Mecca and Medina effective from April 2020, as compared to share of profit of KD 371,688 in 2019.
- The Group has further incurred losses due to impairment of property and equipment of KD 523,357 and impairment of right-of-use assets of KD 106,744.
- Provision for expected credit losses of trade receivables for the year ended 31 December 2020 for an amount of KD 209,449 in total as compared to KD 13,619 in 2019.

2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

As a result of these effects, the Group operating results have declined significantly in 2020. Also, the Group's liquidity headroom has been negatively impacted.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the long-term impact on the Group's business will be.

Management seeks to obtain the best possible information to enable the Group to assess these risks and implement appropriate measures to respond. The Group has taken and will take a number of measures to monitor and prevent the effects of the COVID-19 virus. These measures include (but is not limited to) the following:

- The Group had positive operating cash flows of KD 1,804,539 for the year ended 31 December 2020 (2019: KD 1,966,741).
- The Group maintains sufficient cash to meet liquidity needs in the event of an unforeseen interruption in cash flows.
- The Group monitors on an ongoing basis its liquidity position, near-term forecasts and key financial ratios to ensure that sufficient funds are available to meet its working capital commitments as they arise.
- The Group initiated discussion with various vendors and suppliers on discounts of supplies and services.
- The Group minimised all discretionary operational and capital expenditure, in addition to postponing maintenance and other capital expenditure where possible to conserve cash.
- Management has taken several cost saving measures which included employee furloughs together with other employee cost reductions.

In forming an assessment on the Group's ability to continue as a going concern, management has made significant judgements about:

- The forecast of cash flows over next twelve months from the date the consolidated financial statements are authorised for issue depends on the Group's ability to implement the mitigating factors within the Group's control.
- The legal case filed by one of the lender is ruled against the Group (Note 23).

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, based on the facts and circumstances known at this moment and the possible scenarios about how the pandemic and resulting government measures could evolve, management has determined that the use of the going concern assumption is warranted and has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the Group's consolidated financial statements.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

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

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

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

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 20.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

3.2.1 Group information

The consolidated financial statements of the Group include the following subsidiaries:

Name of subsidiary	*Principal activities*	*Country of incorporation*	*% equity interest* ***2020***	*2019*
Gulf Real Estate Development House Company K.S.C. (Closed)	Real estate	Kuwait	**87.99%**	87.99%
Sokouk Real Estate Company K.S.C. (Closed)*	Real estate	Kuwait	**96.52%**	96.52%
Sokouk Al Oula Trading Company W.L.L.*	Real estate	Kuwait	**99%**	99%
Sokouk Al Kuwaitia Trading Company W.L.L.*	Real estate	Kuwait	**99%**	99%

* The remaining shares/ units in these subsidiaries are held by other related parties on behalf of the Company. Therefore, the effective holding of the Group in these subsidiaries is 100%.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION (continued)

3.2.2 Material partly-owned subsidiary

Financial information of subsidiaries that have material non-controlling interests (NCI) is provided below:

Proportion of equity interest held by non-controlling interests:

	2020	*2019*
Gulf Real Estate Development House Company K.S.C. (Closed)	**12.01%**	12.01%

	2020	*2019*
	KD	*KD*
Accumulated balances of material non-controlling interests:		
Gulf Real Estate Development House Company K.S.C. (Closed)	**517,070**	751,705

	2020	*2019*
	KD	*KD*
Loss allocated to material non-controlling interests:		
Gulf Real Estate Development House Company K.S.C. (Closed)	**(234,635)**	(470,239)

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

	2020	*2019*
	KD	*KD*
Summarised statement of profit or loss and other comprehensive income		
Revenue	**2,041,241**	4,412,966
Cost of sales	**(1,542,843)**	(2,513,588)
Other income	**27,669**	238
Operating expenses	**(1,276,096)**	(4,572,950)
Finance costs on lease liabilities	**(40,184)**	(41,083)
Finance costs on debts and borrowings	**(985,426)**	(1,202,934)
Total comprehensive loss	**(1,775,639)**	(3,917,351)
Attributable to non-controlling interests	**(234,635)**	(470,239)

	2020	*2019*
	KD	*KD*
Summarised statement of financial position		
Non-current assets	**28,308,904**	29,493,852
Current assets	**794,305**	1,025,052
Non-current liabilities	**(575,954)**	(22,406,009)
Current liabilities	**(24,040,238)**	(1,850,239)
Total equity	**4,487,017**	6,262,656
Attributable to:		
Equity holders of the Company	**3,969,947**	5,510,951
Non-controlling interest	**517,070**	751,705

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 BASIS OF CONSOLIDATION (continued)

3.2.2 Material partly-owned subsidiary (continued)

	2020	*2019*
	KD	*KD*
Summarised cash flow information		
Operating	**2,206,483**	1,904,883
Investing	**(2,511)**	(218,069)
Financing	**(2,295,436)**	(1,649,817)
Net (decrease) increase in cash and cash equivalents	**(91,464)**	36,997

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3: ***Definition of a Business***
In October 2019, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: ***Definition of Material***
In October 2019, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 7, IFRS 9 and IAS 39 ***Interest Rate Benchmark Reform***
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to 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 consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

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.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

3.3.2 Summary of accounting policies for new transactions and events

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

3.4 STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

A number of new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s consolidated financial statements. None of these are expected to have a significant impact on the Group’s consolidated financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3.5 SIGNIFICANT ACCOUNTING POLICIES

3.5.1 Revenue recognition
The Group is in the business of providing hospitality and real estate services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group 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.

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

The Group’s key sources of income include:

Hospitality income
Hospitality income is recognised upon rendering of related services to the customers.

Rental income
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in “Net rental income from investment properties” in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.5.1 Revenue recognition (continued)

Revenue from sale of properties

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

Payments are received when legal title transfers which is usually within six months from the date when contracts are signed.

3.5.2 Provisions

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

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

3.5.3 Borrowing costs

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

3.5.4 Financial instruments - initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and measurement

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

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

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

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.5.4 Financial instruments

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group has not designated any financial assets as at fair value through profit or loss and has no debt instruments at fair value through OCI.

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

Since the Group's financial assets (trade and other receivables, cash and short-term deposits) meet these conditions, they are subsequently measured at amortised cost.

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

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

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

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

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.4 Financial instruments (continued)

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

ii) Financial liabilities
Initial recognition and measurement
The Group's financial liabilities comprise loans and borrowings, lease liabilities, and trade and other payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including Islamic finance payables)

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

Financial liabilities at amortised cost
Islamic finance payables
This is the category most relevant to the Group After initial recognition, profit-bearing Islamic finance payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.5 Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

3.5.6 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

3.5.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each item to its present location and condition. Cost represents purchase cost determined on a weighted average costs basis.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

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

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

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

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

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

3.5.10 Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.10 Leases (continued)

Group as a lessee (continued)

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at, or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (3.4,16) Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

Group as a lessor

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

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.11 Property and equipment
Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

▶ Building	50 years
▶ Furniture, fixtures and equipment	3 to 5 years
▶ Motor vehicles	3 to 5 years

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

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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

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

3.5.13 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to the statutory and voluntary reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

3.5.14 Foreign currencies
Transactions and balances
Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.14 Foreign currencies (continued)
Group companies
The assets and liabilities of foreign operations are translated into KD at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

3.5.15 Fair value measurement
The Group measures financial instruments and non-financial assets such as investment properties 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.

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

3.5.16 Contingencies
Contingent liabilities are not recognised but disclosed in the consolidated financial statements except when the possibility of an outflow of resources embodying economic benefits is remote.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5.17 Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

3.5.18 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3.5.19 Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

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

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

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of real estate
Management decides on acquisition of real estate whether it should be classified as trading property, property held for development or investment property. The management classifies real estate as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies real estate as property under development if it is acquired with the intention of development. The Group classifies real estate as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use and as leasehold property if it is acquired for or the future use is estimated to be for operations and to generate operating cash flows.

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.6.1 Significant judgments (continued)

Legal cases

In accordance with IFRSs, outcome of legal cases may result in disclosure of contingent assets, contingent liabilities or recognition of a provision. Contingent asset are possible assets that arise from past events and whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control and are disclosed if the inflow of economic benefits is probable.

The Group may also recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements.

Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the consolidated financial statements, could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for disclosures and provision in its consolidated financial statements. Among the factors considered in making decisions on disclosure or provisions are the nature of litigation, claim or assessment, the legal process and potential outcome in the jurisdiction in which the litigation has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

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

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

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Going concern assessment

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the necessary resources to continue in business for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3.6.2 Estimates and assumptions

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

Impairment of investment in associates

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

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.6.2 Estimates and assumptions (continued)

Provision for expected credit loss (ECL) on trade and other receivables

The Group applies a simplified approach in calculating ECL for its trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates. The information about the ECLs on the Group's trade and other receivables is disclosed in Note 6.

Impairment of right-of-use asset

Impairment exists when the carrying value of right-of-use asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for right-of-use asset, including a sensitivity analysis, are disclosed and further explained in Note 10.

Fair value measurement of financial instruments

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

Valuation of investment properties

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

Investment properties are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment property are set out in Note 7.

Useful lives of property and equipment

Management of the Group assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates.

Leases - Estimating the incremental borrowing rate

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

4 BASIC AND DILUTED LOSS PER SHARE (EPS)

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

4 BASIC AND DILUTED LOSS PER SHARE (EPS) (continued)

	2020	*2019*
Loss for the year attributable to equity holders of the Company (KD)	**(17,086,162)**	(3,421,880)
Weighted average number of ordinary shares (shares)	**571,645,336**	571,645,336
Basic and diluted EPS attributable to the equity holders of the Parent Company (Fils)	**(29.89)**	(5.99)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

5 NET INCOME FROM INVESTMENT PROPERTIES

	2020 KD	*2019 KD*
Rental income	**347,540**	428,680
Property operating costs	**(33,250)**	(37,428)
	314,290	391,252

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2020 KD	*2019 KD*
Financial assets:		
Trade receivables	**785,221**	751,104
Receivables from related parties (Note 12)	**81,195**	58,662
Other receivables	**567,564**	1,225,624
Less: Provision for expected credit losses	**(500,684)**	(304,365)
	933,296	1,731,025
Non-financial assets:		
Prepaid expenses	**39,132**	58,855
Advances	**244,404**	323,867
	283,536	382,722
	1,216,832	2,113,747

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

Note 21.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables and amounts due from related parties. Other classes within accounts receivable do not contain impaired assets.

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

6 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

	2020 ***KD***	*2019* *KD*
At 1 January	**304,365**	445,419
Provision for expected credit losses	**209,449**	13,619
Reversal of provision for expected credit losses	**(13,130)**	(154,673)
At 31 December	**500,684**	304,365

7 INVESTMENT PROPERTIES

	2020 ***KD***	*2019* *KD*
At 1 January	**5,380,000**	5,400,000
Change in fair value	**(239,000)**	(20,000)
At 31 December	**5,141,000**	5,380,000

Investment properties comprise of freehold buildings located in Kuwait.

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are industry specialists in valuing these types of investment properties. For each of the property one of these valuers is a local bank who has valued the investment properties using cost approach method and the other is a local reputable accredited valuer who has valued the investment properties using the combination of the market comparison approach for the land and cost approach for the construction work executed to date. In regard to measurement of investment properties in the consolidated financial statements, the management has considered the lower of the two valuations as per Law No. 7 of CMA regulations.

Investment properties with carrying value of KD 3,512,000 (2019: KD 3,680,000) are pledged as security to full collateral requirements of Islamic finance payables (Note 17).

Fair value hierarchy

The fair value measurement of investment properties has been categorised as level 2 within the fair value hierarchy based on inputs to the valuation technique used.

The significant inputs used in the fair value measurements are set out below:

	2020	*2019*
Estimated market price for the land (per sqm) (KD)	**1,484**	1,567
Construction costs (per sqm) (KD)	**121**	122
Average monthly rent (per sqm) (KD)	**2.97**	3.7
Yield rate	**6.77%**	7.95%
Occupancy rate	**97%**	95%

Significant increases (decreases) in the above assumptions in isolation would result in a significantly higher (lower) fair value on a linear basis.

8 INVESTMENT SECURITIES

	2020	*2019*
	KD	*KD*
Financial assets at fair value through other comprehensive income:		
Unquoted equity securities	**660,978**	1,069,985

The fair value hierarchy and basis of valuation is disclosed in Note 22.

9 INVESTMENT IN ASSOCIATES

The Group has investment in the following associates:

		% equity interest		*Carrying amount*	
Name of entity	***Country of incorporation***	***2020***	*2019*	***2020 KD***	*2019 KD*
Munshaat Real Estate Projects Company K.S.C.P. (“Munshaat”)*	Kuwait	**27.67**	27.67	**2,270,844**	9,753,949
Joint Venture – Qitaf (“Qitaf”)	Kuwait	**36.43**	36.43	**764,185**	2,439,333
The Zamzam 2013 JV (“Zamzam”)	Kuwait	**23.48**	23.48	**10,847,429**	16,541,652
				13,882,458	28,734,934

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

Reconciliation to carrying amounts	***2020***	*2019*
	KD	*KD*
At 1 January	**28,734,934**	30,800,004
Share of results	**(14,805,421)**	371,688
Share of other comprehensive loss	**(48,276)**	(22,663)
Capital redemption	**-**	(2,412,107)
Exchange differences	**1,221**	(1,988)
At 31 December	**13,882,458**	28,734,934

9 INVESTMENT IN ASSOCIATES (continued)

The following table illustrates summarised financial information of the Group's investment in its associates:

	Munshaat *KD*	*Qitaf* *KD*	*ZamZam* *KD*	*2020* *KD*	*2019* *KD*
Summarised statement of financial position of associates:					
Non-current assets	**87,529,121**	**1,801,220**	**51,820,800**	**141,151,141**	193,749,932
Current assets	**9,486,076**	**497,017**	**10,629,804**	**20,612,897**	28,489,438
Non-current liabilities	**(54,970,644)**	**-**	**-**	**(54,970,644)**	(60,481,444)
Current liabilities	**(30,084,966)**	**(200,557)**	**(14,289,387)**	**(44,574,910)**	(37,922,734)
Non-controlling interests	**8,347,395**	**-**	**-**	**8,347,395**	3,022,462
Equity	**20,306,982**	**2,097,680**	**48,161,217**	**70,565,879**	126,857,654
Group's share in equity (%)	**27.67%**	**36.43%**	**23.48%**		
Group's carrying amount of the investment*	**5,618,942**	**764,185**	**11,308,254**	**17,691,381**	32,640,192
Summarised statement of profit or loss of associates:					
Revenue	**2,642,823**	**234,375**	**3,981,038**	**6,858,236**	32,642,291
Loss for the year	**(26,674,228)**	**(4,601,618)**	**(24,826,605)**	**(56,102,451)**	1,656,148
Group's share of loss for the year	**(7,380,759)**	**(1,676,369)**	**(5,748,293)**	**(14,805,421)**	371,688
Group's share of other comprehensive (loss) profit for the year	**(102,346)**	**-**	**54,070**	**(48,276)**	(22,663)

The management has carried out the assessment of Group's investment in associates to identify any indicators of impairment. The management has considered factors such as changes in the investee's financial condition, any significant adverse changes in economy, market, legal environment, industry or the political environment affecting the investees business. Further, as described in Note 2, due to the Covid-19 pandemic and resulting measures taken by various governments to contain the virus, the associates temporarily ceased commercial operations in KSA effective from 1 April 2020 until September 2020 causing a significant deterioration in financial conditions for the associates and an increase in economic uncertainty, hence triggering the requirement for impairment tests of certain non-financial assets such as right-of-use assets. The management has assessed the recoverable value of the investment in associates based on fair value of right-of-use assets carried in the books of the associates. The fair value of the underlying right-of-use assets are determined by independent valuers using the discounted cash flow models using assumptions and inputs such as average room rate, revenue per available room, occupancy rate and the discount rates. During the year, the Group recognised share of losses from associates amounting to KD 14,805,421 (2019: share of profit KD 371,688) mainly on account of impairment losses of right-of-use assets of the associates.

* The Group's carrying amount in certain associates have been adjusted on account of downstream transactions eliminated in previous years.

9 INVESTMENT IN ASSOCIATES (continued)

The market value of investment in Munshaat (based on the quoted market price) as at 31 December 2020 is KD 6,236,818 (2019: KD 6,592,975).

Qitaf and Zamzam are not listed and consequently do not have quoted market prices are available. Management considers that the fair values of the underlying associate are unlikely to be materially different from their carrying values

Legal claim contingency in respect of an associate

i) During the year ended 31 December 2015, the contractor of one of the properties of Munshaat in KSA has claimed a penalty of SAR 501 million (equivalent to KD 41 million) from the Munshaat for the delay in the execution of a certain project and various other related costs associated with the project. Munshaat has filed a counter claim for an amount of SAR 627 million (equivalent to KD 51 million) against the same contractor for the delay in handing over the project and the operational losses incidental to the delay. The dispute has been referred to the Saudi Arbitration Committee (“SAC”) and the trial proceedings are still in progress as at the authorisation date of these consolidated financial statements. However due to the considerable discrepancy in the technical reports submitted by the two parties in dispute, a specialised technical expert was appointed by SAC whose report issued on 20 March 2019 supported Munshaat’s position to a large extent.

Munshaat has been advised by its legal counsel that it is only possible, but not probable, that the action against Munshaat will succeed. Accordingly, Munshaat has not recognised any provision for any liability has been made in the consolidated financial statements.

ii) One of the Joint Venturer of a subsidiary “Al Qeblah JV” of Munshaat filed a case against Munshaat in its capacity as Joint Venture Manager for Al Qeblah JV for recovery of the initial investment in the Joint Venture and compensation. During the previous year, the court ruled in favour of that Venturer and ordered Munshaat to pay the initial investment of USD 1,000,000 and 15% compensation. Munshaat made the payment on behalf of Al Qeblah JV. The acquisition of the investment of the Venturer by Al Qeblah JV was accounted by Munshaat as acquisition of NCI without a change in control. The resultant decrease in equity attributable to equity holders of Munshaat arising from this transaction amounted to KD 309,291 and recorded within other reserve.

10 RIGHT-OF-USE ASSETS

	*Building** *KD*	*Others* *KD*	*Total* *KD*
Cost:			
At 1 January 2019	4,917,519	538,467	5,455,986
Additions	-	417,292	417,292
At 31 December 2019	4,917,519	955,759	5,873,278
Additions	-	409,369	409,369
Derecognition	-	(417,292)	(417,292)
At 31 December 2020	**4,917,519**	**947,836**	**5,865,355**
Depreciation and impairment:			
At 1 January 2019	2,811,779	-	2,811,779
Depreciation charge for the year	116,985	177,564	294,549
Impairment loss	240,861	-	240,861
At 31 December 2019	3,169,625	177,564	3,347,189
Depreciation charge for the year	99,880	189,017	288,897
Derecognition of right-of-use assets	-	(97,852)	(97,852)
Impairment loss	106,744	-	106,744
At 31 December 2020	**3,376,249**	**268,729**	**3,644,978**
Net book value:			
At 31 December 2019	1,747,894	778,195	2,526,089
At 31 December 2020	**1,541,270**	**679,107**	**2,220,377**

10 RIGHT-OF-USE ASSETS (continued)

* Right-of-use asset building amount to KD 1,541,270 (2019: KD 1,747,894) represents "8th floor of Pullman Zamzam Al Madinah", a leasehold property located in Kingdom of Saudi Arabia and operated as a hotel by an international hotel for a period of 21 years starting on February 2016 after receiving the notification of commencement of operations from the property manager. As at the reporting date, the remaining period of the lease was 17 years (2019: 18 years).

The depreciation charge for the year has been allocated in the consolidated statement of profit or loss as follows:

	2020	*2019*
	KD	*KD*
Hospitality costs	**166,427**	155,036
Administrative expenses	**22,590**	22,528
Depreciation of right-of-use assets	**99,880**	116,985
	288,897	294,549

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the lease term from the date the asset is available for intended use.

The Group has carried out an annual impairment assessment of its right-of-use assets including the property located in Kingdom of Saudi Arabia ("KSA"). The assessment is conducted by determining the value in use (VIU) of right-of-use assets using a discounted cash flow method ("DCF"), as described below. These VIU estimates were performed by accredited independent valuers with recognised and relevant professional qualifications and recent experience in the location and category of the properties being valued. The VIU models applied are consistent with the principles in IAS 36 *'Impairment of Assets'*.

As detailed in Note 2 and 24, due to the Covid-19 pandemic and resulting measures taken by various governments to contain the virus, the Group has temporary ceased its hotel operations in KSA from 1 April 2020 until September 2020 causing deterioration in financial conditions for the Group and an increase in economic uncertainty, hence triggering the requirement for impairment tests of its right-of-use asset located in KSA. Accordingly, the Group engaged an accredited independent valuer with recognised and relevant professional qualifications and recent experience in the location and category of the property being valued to perform the impairment assessment for the right-of-use asset. In addition, management of the Group has applied in-house evaluation using lower average room rate (ADR) and occupancy rate for the year 2021 and 2022 in to incorporate effect of slow market recovery and Covid-19 related uncertainties. This exercise has resulted an impairment in the carrying value amounting to KD 106,744 for the year then ended 31 December 2020. The impairment charge is presented as a separate line item in the consolidated statement of profit or loss for the year ended 31 December 2020.

Description of valuation techniques used and key unobservable inputs made in determining the VIU of the leasehold property:

Valuation technique	**Significant unobservable inputs**	**Range**	
		2020	*2019*
DCF	▸ Estimated average room rate in Saudi Riyals (SAR)	**242-528**	450 - 561
	▸ Long term RevPAR growth*	**2.92% - 44.6%**	2.00% - 4.90%
	▸ Occupancy rate	**30 % - 76%**	74% - 76 %
	▸ Discount rate	**10%**	9.50%
	▸ Inflation rate	**2%**	2.00%
	▸ Gross operating profit	**47% - 56%**	57% - 59%

*RevPAR = Revenue Per Available Room

10 RIGHT-OF-USE ASSETS (continued)

Sensitivity to key assumptions used in value in use (VIU) calculations of ROU asset
The calculation of VIU for the ROU asset is most sensitive to the following assumptions:

- Rev PAR growth
- Occupancy rates
- Risk-adjusted discount rate
- Gross operating profit

The implications of the key assumptions for the recoverable amount are discussed below:

- RevPAR - A decline in RevPAR may lead to a decline in hospitality income. A decrease in RevPAR of 5% would result in further impairment of KD 77,088.
- Occupancy rate - A decline in occupancy rates may lead to a decline in hospitality income. A decrease in occupancy rate of 5% would result in further impairment of KD 77,007.
- Discount rates - A rise in pre-tax discount rate by 2% to 12% would result in further impairment of KD 205,190.
- Gross operating profit - decreased demand can lead to a decline in the gross margin. A decrease in the gross margin by 5% would result in a further impairment of KD 77,088.

Taxation
During the year ended 31 December 2020, the Group recognised a provision for taxation amounting to KD 5,411 (2019: KD 20,209) relating to hospitality income from right-of-use asset located in the Kingdom of Saudi Arabia (“KSA”) Taxation hospitality income from right-of-use asset is calculated in accordance with the zakat regulation issued by the General Authority of Zakat and Tax ("GAZT") ”) in the Kingdom of Saudi Arabia (“KSA”).

11 PROPERTY AND EQUIPMENT

	Land KD	*Building KD*	*Furniture, fixtures and equipment KD*	*Motor vehicles KD*	*Construction in progress KD*	*Total KD*
Cost:						
At 1 January 2019	10,297,000	23,815,033	2,110,495	107,877	148,267	36,478,672
Additions	-	-	327,465	-	-	327,465
Transfers	-	-	141,460	-	(141,460)	-
Discount from a contractor	-	(45,120)	-	-	-	(45,120)
At 31 December 2019	10,297,000	23,769,913	2,579,420	107,877	6,807	36,761,017
Additions	-	-	8,480	-	21,700	30,180
Transfers	-	-	6,810	-	(6,810)	-
At 31 December 2020	**10,297,000**	**23,769,913**	**2,594,710**	**107,877**	**21,697**	**36,791,197**
Depreciation and impairment:						
At 1 January 2019	-	2,041,555	1,673,148	76,035	-	3,790,738
Impairment loss	-	3,293,792	-	-	-	3,293,792
Depreciation charge for the year	-	469,225	327,165	21,576	-	817,966
At 31 December 2019	-	5,804,572	2,000,313	97,611	-	7,902,496
Impairment loss	-	523,357	-	-	-	523,357
Depreciation charge for the year	-	402,904	232,301	10,265	-	645,470
At 31 December 2020	-	**6,730,833**	**2,232,614**	**107,876**	-	9,071,323
Net book value:						
At 31 December 2019	10,297,000	17,965,341	579,107	10,266	6,807	28,858,521
At 31 December 2020	**10,297,000**	**17,039,080**	**362,096**	**1**	**21,697**	**27,719,874**

11 PROPERTY AND EQUIPMENT (continued)

The depreciation charge for the year has been allocated in the consolidated statement of profit or loss as follows:

	2020	*2019*
	KD	*KD*
Hospitality costs	**620,348**	799,812
Administrative expenses	**25,122**	18,154
	645,470	817,966

Land and building

Land and building with a carrying amount of KD 27,689,750 (2019: KD 28,804,076) are pledged as security to fulfill collateral requirements of Islamic finance payables (Note 17).

Impairment losses related to a real estate property

At the reporting date, the Group assessed whether there is an indication that land and building may be impaired through assessing factors such as significant external adverse changes including market, economic, technological or legal environment factors in which the Group operates or internal observable factors including failure to meet budgeted and forecasted earnings in the current and prior years; that may trigger indicators of impairment that will either impact the carrying value or the remaining useful life of land and building. The management has also considered certain additional factors such as maintenance status, market knowledge and historical transactions.

Based on management assessment and the valuation performed by two independent real estate valuers with experience in the locations and category of the property being valued, the Group recognised an impairment loss of KD 523,357 to reduce the carrying amount of the property to its recoverable amount (2019: KD 3,293,792). The impairment charge is presented as a separate line item in the consolidated statement of profit or loss for the year ended 31 December 2020.

12 RELATED PARTY DISCLOSURES

Related parties represent Parent Company, Ultimate Parent Company, major shareholders, associates, joint ventures, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	Major shareholder of the Parent Company	***Associates***	***2020***	*2019*
	KD	***KD***	***KD***	*KD*
Consolidated statement of profit or loss:				
Management fees	**-**	**50,629**	**50,629**	66,997
Finance costs	**66,677**	**-**	**66,677**	114,558

	Major shareholders of the Parent Company	***Parent Company***	***Associates***	***Other related parties***	***2020***	*2019*
	KD	***KD***	***KD***	***KD***	***KD***	*KD*
Consolidayed statement of financial position:						
Receivables from related parties	**-**	**-**	**78,808**	**2,387**	**81,195**	58,662
Payables to related parties	**-**	**121,845**	**14,119**	**12,345**	**148,309**	158,979
Islamic finance payables	**-**	**-**	**-**	**-**	**-**	1,497,029

12 RELATED PARTY DISCLOSURES (continued)

Terms and conditions of transactions with related parties
Outstanding balance with related parties are unsecured and interest free and have no fixed repayment schedule. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2020, the Group has not recognised any provision for expected credit losses relating to amounts owed by related parties (2019: KD Nil).

Key management transactions
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions and outstanding balances related to key management personnel were as follows.

	Balance outstanding as at 31 December		*Transaction values for the year ended 31 December*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Salaries and other short term benefits	**54,479**	17,897	**146,395**	155,271
End of service benefits	**74,431**	69,853	**9,841**	11,684
	128,910	87,750	**156,236**	166,955

The Board of Directors in their meeting held on 29 April 2021 did not propose any directors' remuneration for the year ended 31 December 2020 (2019: Nil). This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

13 SHARE CAPITAL

Authorised, issued and fully paid-up capital amounting to KD 59,314,500 (2019: KD 59,314,500) consist of 593,145,000 (2019: 593,145,000) shares of 100 fils each, paid in cash.

Distributions made and proposed
The Board of Directors in their meeting held on 29 April 2021 proposed not to distribute cash dividends to the shareholders for the year ended 31 December 2020. This proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

The shareholders of the Parent Company in the AGM held on 9 July 2020 resolved not to distribute cash dividends for the year ended 31 December 2019.

14 STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

During the year, no transfer has made to statutory reserve for the year since the Group has incurred losses.

15 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

During the year, no transfer has made to voluntary reserve for the year since the Group has incurred losses.

16 TREASURY SHARES

	2020	*2019*
Number of treasury shares	**21,499,664**	21,499,664
Percentage of capital	**3.60%**	3.60%
Cost – KD	**1,769,871**	1,769,871
Market value – KD	**494,492**	752,488
Weighted average market price – fils	**23**	38.7

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

17 ISLAMIC FINANCE PAYABLES

	Effective interest rate	***Maturity***	***2020 KD***	*2019 KD*
Secured murabaha facility*	5.25%	16 October 2020	**-**	1,497,029
Secured Ijara facility**	4.82%	5 October 2021	**1,000,000**	1,240,000
Secured Ijara contract***	5.25%	30 June 2020	**21,367,500**	21,000,000
			22,367,500	23,737,029

*Secured murabaha was repaid in full during the current year.

**Secured Ijara facility mounting to KD 1,000,000 (2019: KD 1,240,000) represent facilities obtained from local Islamic financial institutions and are secured by investment properties amounting to KD 3,512,000 (2019: KD 3,680,000) (Note 7).

***Secured Ijara contract amounting to KD 21,637,500 (2019: KD 21,737,029) represent a finance lease agreement ("Ijara contract") entered into between Gulf Real Estate Development Company ("Subsidiary") and a local financial institution ("lender") for a hotel property located in the State of Kuwait ("leased property") with a lease term of 65 months commencing on the date of signing the Ijara contract and maturing at the end of the lease on 30 June 2020 ("maturity date"). The lease payments are repayable in equal quarterly instalments of KD 275,625 and the ownership of the leased asset is transferred to the Subsidiary once a lump sum payment of KD 21,000,000 ("balloon payment") is made at the maturity date. Ijara payables of KD 21,000,000 are secured by a first charge over the Group's leased property, with a carrying value of KD 27,689,750 at 31 December 2020 (Note 23).

The COVID-19 pandemic lockdown placed severe stress on the Subsidiary's liquidity position as revenue-generating activities were severely restricted from February 2020 onwards. Given the uncertainties arising from the COVID-19 pandemic, the Subsidiary sent several correspondences to the lender explaining the financial difficulties encountered due to COVID-19 and exploring the possibility of extending the Ijara contract for an additional two years term. However, both the Subsidiary and the lender did not reach a conclusion and, accordingly the lender officially notified the Subsidiary in August 2020 to surrender the leased property.

17 ISLAMIC FINANCE PAYABLES (continued)

On 4th October2020, the Subsidiary held its annual general assembly meeting ("AGM") and the majority shareholders approved to surrender the leased asset and discharge the debt obligation while preserving the Subsidiary's financial and legal rights to claim the difference between the carrying value of the leased asset and the debt obligation outstanding at the maturity date. However, the lender did not accept the handover terms and conditions which states the carrying value of the leased asset.

On 30th March 2021, the Subsidiary held an extra-ordinary general assembly meeting ("EGM") wherein the majority shareholders approved a plan to sell the leased asset to fulfil the debt obligations.

On 5th April 2021, the Group was subpoenaed by the court to evict and surrender the leased property following a claim lodged by the lender. The Group's external legal counsel is in the process of developing a defense strategy for the pre-trial proceedings mainly claiming the difference between the carrying value of the lease property and debt obligation outstanding. The court is expected to consider this matter in September 2021.

Loan covenants
Banking covenants vary according to each loan agreement. A future breach of covenant may require the Group to repay the Islamic finance payable on demand. During the current year, except for the abovementioned matter, the Group did not breach any of its financing covenants, nor did it default on any other of its obligations under its finance agreements.

18 ACCOUNTS PAYABLE AND ACCRUALS

	2020	*2019*
	KD	*KD*
Payables to suppliers	**388,983**	332,923
Payables to related parties (Note 12	**148,308**	158,979
Staff payables	**83,842**	108,669
Lease liabilities	**712,148**	798,926
Other payables	**457,991**	399,191
	1,791,272	1,798,688

For maturity analysis and explanations on the Group's liquidity risk management processes, refer to Note 21.2.

Set out below, are the carrying amount of the Group's lease liabilities and the movement during the year:

	2020	*2019*
	KD	*KD*
As at 1 January	**798,926**	538,467
Additions	**409,369**	417,292
Rent concession	**(4,000)**	-
Derecognition of lease liabilities	**(330,670)**	-
Accretion of interest	**44,923**	47,007
Payments	**(206,400)**	(203,840)
As at 31 December	**712,148**	798,926
Current	**195,840**	193,311
Non-current	**516,308**	605,615

19 SEGMENT INFORMATION

For management purposes, the Group is organised into three major business segments. The principal activities and services under these segments are as follows:

- **Hotel operations** : Consist of the hospitality services provided through the Millennium hotel and convention centre, Kuwait
- **Real estate** : Managing investment properties
- **Investment** : Managing direct investments and investments in subsidiaries and associates.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments. The Group does not have any inter-segment transactions.

The following table presents segment revenue, expenses, results information of the Group's operating segments for the year ended 31 December 2020 and 2019:

31 December 2020	*Hotel operations KD*	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Segment revenue	**2,171,786**	**314,290**	**(14,805,421)**	**135,064**	**(12,184,281)**
Segment expenses	**(4,213,160)**	**(476,776)**	**-**	**(441,169)**	**(5,131,105)**
Segment results	**(2,041,374)**	**(162,486)**	**(14,805,421)**	**(306,105)**	**(17,315,386)**
Other disclosures:					
Share of results of associates	**-**	**-**	**(14,805,421)**	**-**	**(14,805,421)**
Impairment of property and equipment	**(523,357)**	**-**	**-**	**-**	**(523,357)**
Impairment of right-of-use assets	**(106,744)**	**-**	**-**	**-**	**(106,744)**
Depreciation expense	**(888,291)**	**(1,628)**	**-**	**(44,448)**	**(934,367)**
Allowance for ECL - net	**(185,779)**	**(10,540)**	**-**	**-**	**(196,319)**

31 December 2019	*Hotel operations KD*	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Segment revenue	4,772,920	398,013	371,688	101,103	5,643,724
Segment expenses	(5,202,402)	(360,249)	-	(3,952,983)	(9,515,634)
Segment results	(429,482)	37,764	371,688	(3,851,880)	(3,871,910)
Other disclosures:					
Share of results of associates	-	-	371,688	-	371,688
Impairment of property and equipment	(3,293,792)	-	-	-	(3,293,792)
Depreciation expense	(1,088,987)	-	-	(23,528)	(1,112,515)
Reversal for ECL - net	-	-	-	141,054	141,054

19 SEGMENT INFORMATION

The following table presents assets and liabilities for the Group's operating segments as at the reporting date:

2020	***Hotel operations KD***	***Real estate KD***	***Investment KD***	***Others KD***	***Total KD***
Total assets	**30,280,727**	**5,836,602**	**16,448,009**	**1,018,834**	**53,584,172**
Total liabilities	**22,686,302**	**1,294,526**	**-**	**502,541**	**24,483,369**

2019	*Hotel operations KD*	*Real estate KD*	*Investment KD*	*Others KD*	*Total KD*
Total assets	30,457,772	7,793,559	32,557,586	1,516,570	72,325,487
Total liabilities	23,846,945	260,022	1,240,000	560,587	25,907,554

20 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

31 December 2020	***Within 1 year KD***	***Over 1 year KD***	***Total KD***
ASSETS			
Cash and cash equivalents	**2,705,799**	**-**	**2,705,799**
Inventories	**36,854**	**-**	**36,854**
Accounts receivable and prepayments	**1,016,832**	**200,000**	**1,216,832**
Investment properties	**-**	**5,141,000**	**5,141,000**
Financial assets at FVOCI	**-**	**660,978**	**660,978**
Investment in associates	**-**	**13,882,458**	**13,882,458**
Right-of-use assets	**-**	**2,220,377**	**2,220,377**
Property and equipment	**-**	**27,719,874**	**27,719,874**
TOTAL ASSETS	**3,759,485**	**49,824,687**	**53,584,172**
LIABILITIES			
Islamic finance payables	**22,367,500**	**-**	**22,367,500**
Accounts payable and accruals	**1,274,964**	**516,308**	**1,791,272**
Employees' end of service benefits	**-**	**324,597**	**324,597**
TOTAL LIABILITIES	**23,642,464**	**840,905**	**24,483,369**
NET LIQUIDTY GAP	**(19,882,979)**	**48,983,782**	**29,100,803**

20 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

31 December 2019	*Within 1 year KD*	*Over 1 year KD*	*Total KD*
ASSETS			
Cash and cash equivalents	3,579,465	-	3,579,465
Inventories	62,746	-	62,746
Accounts receivable and prepayments	1,913,747	200,000	2,113,747
Investment properties	-	5,380,000	5,380,000
Financial assets at FVOCI	-	1,069,985	1,069,985
Investment in associates	-	28,734,934	28,734,934
Right-of-use assets	178,885	2,347,204	2,526,089
Property and equipment	-	28,858,521	28,858,521
TOTAL ASSETS	5,734,843	66,590,644	72,325,487
LIABILITIES			
Islamic finance payables	22,537,064	1,199,965	23,737,029
Accounts payable and accruals	1,178,647	620,041	1,798,688
Employees' end of service benefits	-	371,837	371,837
TOTAL LIABILITIES	23,715,711	2,191,843	25,907,554
NET LIQUIDTY GAP	(17,980,868)	64,398,801	46,417,933

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities, comprise Islamic finance payables and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, bank balances and cash that derive directly from its operations. The Group also holds investments in equity instruments

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Parent Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

21.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and cash at banks)

The Group's policy is to closely monitor the creditworthiness of the counterparties. In relation to rental income receivable, management assesses the tenants according to Group's criteria prior to entering into lease arrangements. The credit risk on bank balances is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk (continued)

Risk concentration of maximum exposure to credit risk
The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets is as follows:

	2020	*2019*
	KD	*KD*
Cash and cash equivalents	**2,705,799**	3,579,465
Trade receivables	**284,537**	446,739
Receivables from related parties	**81,195**	58,662
Other receivables (excluding advances and prepayments)	**567,564**	1,225,624
	3,639,095	5,310,490

Trade receivables
At 31 December, the exposure to credit risk by type of counterparty was as follows:

	2020	*2019*
	KD	*KD*
Government sector	**207,337**	169,254
Corporate customers	**77,200**	277,485
	284,537	446,739

The Group monitors significant changes in the balances of trade receivables on an ongoing basis throughout each reporting period using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 365 days past due. The Group does not hold collateral as security.

Expected credit loss assessment for trade receivables
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables		
	Days past due		
	< 365 days	*> 365 days*	*Total*
31 December 2020	*KD*	*KD*	*KD*
Expected credit loss rate*	**4.57%**	**99.46%**	
Estimated total gross carrying amount at default	**295,390**	**489,831**	**785,221**
Expected credit loss	**13,503**	**487,181**	**500,684**
31 December 2019			
Expected credit loss rate*	16.20%	87.08%	
Estimated total gross carrying amount at default	493,337	257,767	751,104
Expected credit loss	79,912	224,453	304,365

** represents average credit loss rate*

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk (continued)

Cash and cash equivalents

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

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Accordingly, management identified impairment loss to be immaterial.

Amounts due from related parties and other receivables

As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

21.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also managed liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The steps taken by the Group to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the consolidated financial statements include the following.

- Management has prepared a detailed cashflow analysis for the next 12 months to assess the liquidity position of the Group and identify liquidity gaps.
- Management has taken actions to reduce operating losses. Cost savings measure also included employee furlough together with other employee cost reductions. Further, supplier costs decreased significantly, together with a reduction in non-essential operating and capital expenditure as a result of Covid-19.

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

	On demand KD	***Within 3 months KD***	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
31 December 2020					
Islamic finance payables	**21,367,500**		**1,037,500**	**-**	**22,405,000**
Accounts payable and accruals*	**142,893**	**466,751**	**302,689**	**-**	**912,333**
Lease liabilities	**-**	**54,480**	**163,440**	**571,840**	**789,760**
	21,510,393	**521,231**	**1,503,629**	**571,840**	**24,107,093**

	On demand KD	*Within 3 months KD*	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
31 December 2019					
Islamic finance payables	-	294,279	22,898,007	1,199,965	24,392,251
Accounts payable and accruals*	158,979	344,020	496,763	-	999,762
Lease liabilities	-	54,960	164,880	701,440	921,280
	158,979	693,259	23,559,650	1,901,405	26,313,293

* *excluding advances from customers*

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, other payables, cash at bank, equity investments and certain accounts receivable.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

21.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in floating interest rates will affect future profitability or the fair values of financial instruments.

The Group's interest rate risk primarily arises from its loans and borrowings. The Group is subject to limited exposure to interest rate risk due to the fact that most of its loans and borrowings are fixed-rate Islamic instruments and may be repriced immediately based on market movement in interest rates.

21.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD, primarily United States Dollars ("USD") and Saudi Riyals ("SAR"). The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's investments.

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and liabilities at the reporting date:

	2020	*2019*
	KD	*KD*
USD	**2,439,366**	2,455,593

Sensitivity analysis

A reasonably possible 5% strengthening (weakening) of the KD against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

	Effect on loss for the year before tax	
	2020	*2019*
	KD	*KD*
Currency		
US Dollars	**121,968**	122,780

An equal change in the opposite direction would have increase loss for the year by the same amount.

21.3.3 Equity price risk

The Group's equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The primary goal of the Group's investment in equity securities is to hold the investments for the long term for strategic purposes.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 660,978 (2019: KD 1,069,985). Sensitivity analyses of these investments have been provided in Note 22.

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.1 Financial instruments

Management assessed that the carrying value of financial instruments at amortised cost is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in interest rates. The fair value of financial assets and financial liabilities with a demand feature is not less than its face value.

The following methods and assumptions were used to estimate the fair values for financial instruments measured at fair value on a recurring basis:

Unlisted equity securities

The fair value of unlisted equity investment has been estimated using a market-based valuation technique. The Group determines comparable public companies (peers) based on industry, size and leverage and calculates an appropriate trading multiple for the comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company specific facts and circumstances. The Group classifies the fair value of these investments as Level 3.

Other financial assets and liabilities

Fair value of other financial instruments is not materially different from their carrying values, at the reporting date, as most of these instruments are of short term maturity or re-priced immediately based on market movement in interest rates.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are shown below:

	Valuation techniques	*Significant unobservable inputs*	*DLOM*	*Sensitivity of the input to fair value at 31 December*
Unquoted equity security	Price to book value multiple approach	DLOM *	25%	5% increase (decrease) in the discount would decrease (increase) the fair value by KD 31,475 (2019: KD 62,940)

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

Reconciliation of fair value measurement of non-listed equity investments classified as equity instruments designated at fair value through OCI:

	2020	*2019*
	KD	*KD*
As at 1 January	**1,069,985**	2,109,879
Remeasurement recognised in OCI	**50,722**	(847,710)
Redemption	**(459,729)**	(192,184)
As at 31 December	**660,978**	1,069,985

22 FAIR VALUE MEASUREMENT

22.2 Non-financial assets

Non-financial assets consists of right-of-use assets and investment properties. The impairment assessment is performed using the income approach using valuation models consistent with the principles in IFRS 13. The right-of-use assets is carried at cost less accumulated amortisation and impairment in the consolidated financial statements of the Group.

Investment properties are measured at fair value. The fair value hierarchy and basis of valuation of investment properties is disclosed in Note 7.

23 CONTINGENGENT LIABILITY

Legal claim contingency

Financing arrangements of a partly owned subsidiary ("Subsidiary") expired and the debt outstanding of KD 21,000,000 was payable on 30 June 2020. The Subsidiary was unable to conclude re-negotiations with the lender or obtain replacement financing as at the maturity date. On 10 August 2020, the lender officially notified the subsidiary to surrender a pledged asset included under 'Properties and equipment' and carried at KD 27,689,750 in the consolidated statement of financial position as at 31 December 2020 (Refer to Notes 11 and 17).

On 4th October2020, the Subsidiary held its annual general assembly meeting ("AGM") and the majority shareholders approved to surrender the leased asset and discharge the debt obligation while preserving the Subsidiary's financial and legal rights to claim the difference between the carrying value of the leased asset and the debt obligation outstanding at the maturity date. However, the lender did not accept the handover terms and conditions which states the carrying value of the leased asset.

On 30th March 2021, the Subsidiary held an extra-ordinary general assembly meeting ("EGM") wherein the majority shareholders approved a plan to sell the leased asset to fulfil the debt obligations.

On 5th April 2021, the Group was subpoenaed by the court to evict and surrender the leased property following a claim lodged by the lender. The first hearing was scheduled on 7th April 2021, but has been adjourned without deliberation. The Group's external legal counsel is in the process of developing a defense strategy for the pre-trial proceedings mainly claiming the difference between the carrying value of the lease property and debt obligation outstanding. The court is expected to consider this matter in September 2021.

24 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group is not subject to externally imposed capital requirements.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or reduce capital and utilise capital reserves to extinguish accumulated losses. The Group monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group's policy is to keep the gearing ratio within acceptable levels. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital represents equity attributable to the equity holders of the Parent Company.

24 CAPITAL MANAGEMENT

	2020	*2019*
	KD	*KD*
Islamic finance payables (Note 17)	**22,367,500**	23,737,029
Accounts payable and accruals (Note 18)	**1,791,272**	1,798,688
Less: Cash and cash equivalents	**(2,705,799)**	(3,579,465)
Net debt	**21,452,973**	21,956,252
Equity attributable to the equity holders of the Parent Company	**28,583,733**	45,666,228
Capital and net debt	**50,036,706**	67,622,480
Gearing ratio	**43%**	32%

In order to achieve this overall objective, the Group's capital management, among other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. Except for the matter disclosed in Note 17, there have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

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

25 IMPACT OF COVID-19 OUTBREAK

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

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

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home , reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

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

25 IMPACT OF COVID-19 OUTBREAK (continued)

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

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

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

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

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

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

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

During the current year, the Group received an aggregate amount of KD 5,920. The financial support is accounted for in accordance with IAS 20 'Accounting for Government Grants and Disclosures of Government Assistance' and recognised in profit or loss as a deduction to 'staff costs' on a systematic basis on a systematic basis over the periods in which the Group recognises expenses for the related staff costs. There is no outstanding balance of deferred income or receivable related to this grant as at 31 December 2020.

Going concern assessment
There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and depending on the ease of restriction due to travel bans. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected recovery, along with management's proposed responses over the course of the period. The Group has had severe impact on its financial performance and operational activities during the year 2020 as a result of the COVID-19 pandemic. These events or conditions, along with other matters as set forth in Note 2 to the consolidated financial statements indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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