

Consolidated financial statements and independent auditor's report

International Financial Advisors Holding – KPSC

and Subsidiaries

Kuwait

31 December 2020

Contents

	Page
Independent auditor's report	1 to 4
Consolidated statement of profit or loss	5
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8 and 9
Consolidated statement of cash flows	10 and 11
Notes to the consolidated financial statements	12 to 64

Independent auditor's report

To the shareholders of
International Financial Advisors Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of International Financial Advisors Holding – KPSC (the “Parent Company”) and its subsidiaries, (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters 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

- We did not receive bank confirmation from a local bank including borrowings amounting to KD8,555,000 as at 31 December 2020. We were unable to obtain sufficient appropriate audit evidence for these balances from alternative audit procedures. 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 Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 Group’s 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 express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have 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.



Independent Auditor's Report to the Shareholders of International Financial Advisors Holding - KPSC

Other information included in the Group's 2020 annual report (continued)

As described in the Basis for Qualified Opinion section of our report, as of 31 December 2020, the Group's borrowings include a balance amounting to KD8,555,000 where we were unable to obtain sufficient appropriate audit evidence for. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

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

Equity Method of Accounting

The Group has interests in number of investments accounted for using the equity method of accounting which are significant to the Group's consolidated financial statements. Under the equity method, the Group's interests in these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of these investments, less any impairment. The complexity of the Group's control environment and our ability as Group's auditor to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the investments accounted for using equity method of accounting to the Group's consolidated financial statements we consider this as a key audit matter.

Our audit procedures included, among others, determining the nature and extent of audit procedures to be carried out for these investments and selecting the significant investments based on the size and/or risk profile of these entities. During our audit we communicated with the component auditors. We also provided instructions to the component auditors covering the significant areas and risks to be addressed including the identification of related parties and transactions. Furthermore, we evaluated the Group's methodology and testing of the key assumptions used by the Group in determining the recoverable amount based on value-in-use. We also assessed the adequacy of the Group's disclosures in Note 19 to the consolidated financial statements.

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 of the Parent Company 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 International Financial Advisors Holding - KPSC

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, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our 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.



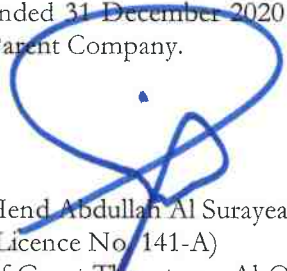
Independent Auditor's Report to the Shareholders of International Financial Advisors Holding - KPSC

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations 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, the Executive Regulations, 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 or the financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware, of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of the banking business, and its related regulations during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Parent Company.

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



Hend Abdullah Al Surayea
(Licence No. 141-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
13 April 2021

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Income			
Net loss on disposal of associates	7	(5,751,076)	-
Commission income	8	6,080,948	-
Reversal of provisions no longer required	9	-	1,621,652
Change in fair value of investment properties	18	(442,973)	(135,739)
Share of results of associates and joint ventures	19	(10,168,194)	(8,560,678)
Gain on settlement of bank loans	21	30,264,230	-
Other gains on financial assets	10	157,462	286,897
Foreign exchange (loss)/gain		(758,556)	196,870
Revenue from contracts with customers		-	12,931
Other income	11	278,844	820,087
		19,660,685	(5,757,980)
Expenses and other charges			
Staff costs		(322,144)	(305,109)
Other operating expenses and charges		(1,859,302)	(600,495)
Impairment of investment in associates	19	(8,725,965)	(9,475,000)
Write-off amount due from related party		-	(89,289)
Finance costs		(1,090,312)	(2,167,120)
		(11,997,723)	(12,637,013)
Profit/(loss) for the year before provision for Zakat and NLST		7,662,962	(18,394,993)
Provision for Zakat		(85,345)	-
Provision for NLST		(213,362)	-
Profit/(loss) for the year		7,364,255	(18,394,993)
Attributable to:			
- Shareholders of the Parent Company		8,229,537	(18,402,271)
- Non-controlling interests		(865,282)	7,278
		7,364,255	(18,394,993)
Basic and diluted earnings/(loss) per share attributable to the shareholders of the Parent Company (Fils)	12	33.01	(73.82)

The notes set out on pages 11 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Profit/(loss) for the year	7,364,255	(18,394,993)
Other comprehensive income/(loss):		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net change in fair value of investments at FVTOCI arising during the year	(2,169,622)	(1,284,183)
Share of other comprehensive income of associates	2,169,143	(1,585,259)
	(479)	(2,869,442)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of associates	(1,478,778)	(692,003)
Exchange differences transferred to consolidated statement of profit or loss on disposal of associates	4,502,471	-
Reserve for financial derivatives transferred to consolidated statement of profit or loss on deemed disposal of an associate	28,315	-
Exchange differences arising on translation of foreign operations	6,659	(575,134)
	3,058,667	(1,267,137)
Total other comprehensive income/(loss)	3,058,188	(4,136,579)
Total comprehensive income/(loss) for the year	10,422,443	(22,531,572)
Attributable to:		
- Shareholders of the Parent Company	10,847,135	(22,491,884)
- Non-controlling interests	(424,692)	(39,688)
	10,422,443	(22,531,572)

The notes set out on pages 11 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2020 KD	31 Dec. 2019 KD
Assets			
Cash and cash equivalents	13	1,052,341	383,362
Investments at fair value through profit or loss	14	203,928	2,937,748
Receivables and other assets	15	4,316,458	3,021,280
Due from related parties	29	19,069,447	19,963,235
Investments at fair value through other comprehensive income	16	5,606,932	4,535,525
Advance for investments	17	6,106,011	-
Investment properties	18	5,302,207	1,832,668
Investment in associates and joint ventures	19	30,303,906	62,493,176
Property and equipment		10,413	14,205
Total assets		71,971,643	95,181,199
Liabilities and equity			
Liabilities			
Payables and other liabilities	20	14,221,276	17,171,972
Due to related parties	29	6,228,911	3,277,884
Due to banks	13	241,582	1,218,742
Borrowings	21	28,417,875	64,062,632
Total liabilities		49,109,644	85,731,230
Equity			
Share capital	22	26,673,255	26,673,255
Treasury shares	23	(32,757,404)	(32,757,404)
Statutory and voluntary reserves	24	32,757,404	32,757,404
Fair value reserve		(1,024,389)	1,345,415
Foreign currency translation reserve		(1,306,782)	(4,572,252)
Reserve for financial derivatives		(647,192)	-
Accumulated losses		(4,902,208)	(15,185,541)
Total equity attributable to the owners of the Parent Company		18,792,684	8,260,877
Non-controlling interests		4,069,315	1,189,092
Total equity		22,861,999	9,449,969
Total liabilities and equity		71,971,643	95,181,199


 Hussain Ali Mohammed Al-Attal
 Chairman


 Saleh Saleh Al-Selmi
 Vice Chairman and CEO

The notes set out on pages 11 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company							Non-controlling interests		Total
	Share capital KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD	Reserve for financial derivatives KD	Accumulated losses KD	Sub – Total KD	KD	
Balance at 1 January 2020	26,673,255	(32,757,404)	32,757,404	1,345,415	(4,572,252)	-	(15,185,541)	8,260,877	1,189,092	9,449,969
Loss on partial disposal of a subsidiary (note 6.1.a)	-	-	-	-	-	-	(601,109)	(601,109)	3,304,915	2,703,806
Profit/(loss) for the year	-	-	-	-	-	-	8,229,537	8,229,537	(865,282)	7,364,255
Other comprehensive (loss)/income	-	-	-	(680)	3,265,470	(647,192)	-	2,617,598	440,590	3,058,188
Total comprehensive (loss)/income for the year	-	-	-	(680)	3,265,470	(647,192)	8,229,537	10,847,135	(424,692)	10,422,443
Gain on disposal of investments at FVTOCI	-	-	-	(1,092,337)	-	-	1,092,337	-	-	-
Gain on disposal of an associate (note 7)	-	-	-	(1,276,787)	-	-	1,276,787	-	-	-
Share of loss on partial disposal of subsidiary by an associate (note 19.1)	-	-	-	-	-	-	(21,808)	(21,808)	-	(21,808)
Sale of treasury shares by an associate	-	-	-	-	-	-	307,589	307,589	-	307,589
Balance at 31 December 2020	26,673,255	(32,757,404)	32,757,404	(1,024,389)	(1,306,782)	(647,192)	(4,902,208)	18,792,684	4,069,315	22,861,999

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company							Non- controlling interests	Total	
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD	Accumulated losses KD			Sub – total KD
Balance at 1 January 2019 (audited)	72,000,000	11,973,061	(32,757,404)	32,757,404	2,612,831	(3,352,565)	(51,985,172)	31,248,155	1,229,194	32,477,349
Share of adjustments arising on adoption of IFRS 16 by an associate	-	-	-	-	-	-	267,995	267,995	1,547	269,542
Share of adjustments arising on adoption of IFRS 9 by associates	-	-	-	-	-	-	(663,795)	(663,795)	(1,961)	(665,756)
Balance at 1 January 2020 (Restated)	72,000,000	11,973,061	(32,757,404)	32,757,404	2,612,831	(3,352,565)	(52,380,972)	30,852,355	1,228,780	32,081,135
Write-off of accumulated losses	(45,326,745)	(11,973,061)	-	-	-	-	57,299,806	-	-	-
Transactions with shareholders	(45,326,745)	(11,973,061)	-	-	-	-	57,299,806	-	-	-
(Loss)/profit for the year	-	-	-	-	-	-	(18,402,271)	(18,402,271)	7,278	(18,394,993)
Other comprehensive loss	-	-	-	-	(2,869,926)	(1,219,687)	-	(4,089,613)	(46,966)	(4,136,579)
Total comprehensive loss for the year	-	-	-	-	(2,869,926)	(1,219,687)	(18,402,271)	(22,491,884)	(39,688)	(22,531,572)
Loss on disposal of investments at FVTOCI	-	-	-	-	1,602,510	-	(1,602,510)	-	-	-
Share of loss on partial disposal of subsidiary by an associate (note 19.1)	-	-	-	-	-	-	(99,594)	(99,594)	-	(99,594)
Balance at 31 December 2019	26,673,255	-	(32,757,404)	32,757,404	1,345,415	(4,572,252)	(15,185,541)	8,260,877	1,189,092	9,449,969

The notes set out on pages 11 to 64 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
OPERATING ACTIVITIES			
Profit/(loss) for the year before provision for Zakat and NLST		7,662,962	(18,394,993)
Adjustments for:			
Net loss on disposal of associates	7	5,751,076	-
Commission income	8	(3,022,500)	-
Change in fair value of investment properties	18	442,973	135,739
Share of results of associates and joint ventures	19	10,168,194	8,560,678
Gain on settlement of bank loans		(29,287,070)	-
Foreign exchange gain		779,613	(199,752)
Reversal of provisions no longer required		-	(1,621,652)
Dividend income		(43,935)	(157,657)
Interest income		-	(117,606)
Other income		(189,927)	(307,321)
Depreciation		3,792	3,792
Impairment of investment in associates	19	8,725,965	9,475,000
Write-off amount due from related party		-	89,289
Finance costs		1,090,312	1,918,074
		2,081,455	(616,409)
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(157,462)	432,315
Receivables and other assets		(1,295,178)	(196,214)
Due from related parties		903,305	(529,352)
Payables and other liabilities		881,134	2,695,614
Due to related parties		5,653,533	(403,853)
Net cash from operating activities		8,066,787	1,382,101
INVESTING ACTIVITIES			
Proceeds from sale of an associate	7	12,142,762	-
Proceeds from partial disposal of associates	7	2,208,442	-
Proceeds from sale of investment at FVTOCI		2,910,837	28,958
Additions to investment in associates and joint ventures	19	(7,448,800)	(2,451,200)
Advance for investments		(6,106,011)	-
Additions for investment properties	18	(4,015,000)	-
Increase in restricted bank balances		(654,268)	-
Dividend income received		43,935	157,657
Dividend received from associates		-	515,229
Net cash used in investing activities		(918,103)	(1,749,356)

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
FINANCING ACTIVITIES			
Repayment of borrowings	21	(6,000,000)	-
Finance costs paid		-	(172,993)
Net cash used in financing activities		(6,000,000)	(172,993)
Increase/(decrease) in cash and cash equivalents		1,148,684	(540,248)
Foreign currency adjustment		(39,418)	5,974
Effect of foreign exchange rate on cash and cash equivalents		(117,395)	-
Cash and cash equivalents at beginning of the year	13	(1,181,826)	(647,552)
Cash and cash equivalents at end of the year	13	(189,955)	(1,181,826)
Non-cash transactions			
Investments at FVTPL		2,891,282	-
Borrowings		(2,891,282)	-
Investments at fair value through other comprehensive income		(6,151,890)	-
Investment in associates and joint ventures		6,151,890	-
Investment properties		103,148	-
Due from related parties		(103,148)	-

The notes set out on pages 11 to 64 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

International Financial Advisors Holding – KPSC [Formerly: International Financial Advisors - KPSC] (“the Parent Company”) is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is listed on Boursa Kuwait and Dubai Financial Market.

The Securities Activities Licence issued by the Capital Markets Authority (“CMA”) expired on 29 March 2018 under which the Parent Company carried out certain investment activities. Management did not renew the licence. Accordingly, the CMA notified the Parent Company on 6 May 2018 that it is no longer considered a licenced entity under the CMA regulations. Consequently, the Parent Company is currently in the process of disposing the portfolios under management (Note 25).

Furthermore, during prior years the Parent Company was subject to the supervision of the Central Bank of Kuwait (“CBK”). During 2018, it communicated to the CBK its desire to be removed from CBK register. On 13 November 2018, the CBK notified the Parent Company that its name will be removed from the CBK register only after the holding of shareholders’ general assembly to change its legal status and activities.

The shareholders in their Extra-Ordinary General Assembly held on 6 January 2019 approved to change the legal status of the Parent Company to a Holding Company and amend its activities, which were registered in the commercial register on 20 January 2019. Accordingly, on 3 February 2019, the Parent Company was removed from the CBK register.

The objectives of the Parent Company were amended to become as follows:

- Management of the parent company’s subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.
- Investing funds by way of trading in shares, bonds and other financial securities
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.
- Using cash surplus to invest in financial portfolios/funds managed by specialised parties.

The Parent Company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

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

The Group comprises the Parent Company and its subsidiaries as detailed in note 6.

The address of the Parent Company’s registered office is PO Box 4694, Safat 13047, State of Kuwait.

The Parent Company’s board of directors approved these consolidated financial statements for issue on 13 April 2021 and are subject to the approval of the general assembly of the shareholders.

Notes to the consolidated financial statements (continued)

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

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

IFRS 3 – Amendments- Definition of Business

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

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

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

IAS 1 and IAS 8 – Amendments

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

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

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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

IFRS 16 – Amendments- COVID19 Rent Related Concessions

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

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

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

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.
- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease.

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

3.2 IASB Standards issued but not yet effective

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

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

<i>Standard or Interpretation</i>	<i>Effective for annual periods beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
IAS 37 – Amendments – Onerous contracts -Cost of fulfilling a contract	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 – Amendments – Classification of current or non-current	1 January 2023

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 16 Amendments - Proceeds before intended use

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

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

3.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle

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

Amendment to IFRS 9 relates to the ‘10 per cent’ Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

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

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

IAS 1 Amendments - Classification of current or non-current

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

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

4 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

4.1 Basis of preparation

The consolidated financial statements of the Group have been prepared under historical cost convention except for investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties that have been measured at fair value.

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.1 Basis of preparation (continued)

The Group has elected to present the “statement of comprehensive income” in two statements: the “statement of profit or loss” and a “statement of profit or loss and other comprehensive income”.

4.2 Basis of consolidation

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

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

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

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

4.3 Business combinations

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.3 Business combinations (continued)

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

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

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

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

4.4 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

The Group's investment in associates and joint ventures are accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Parent Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate and joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate and joint venture arising from changes in the equity of the associate and joint venture. Changes in the Group's share in associate's/joint venture's equity are recognised immediately in the consolidated statement of changes in equity.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.4 Investment in associates and joint ventures (continued)

When the Group's share of losses in an associate equal or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and joint venture.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate and joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates and joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The financial statements of the associate and joint venture are prepared either to the Parent Company's reporting date or to a date not earlier than three months of the Parent Company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Parent Company's reporting date.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate and joint venture upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4.5 Segment reporting

The Group has four operating segments: the assets management, treasury and investments, real estate and other. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transactions are carried out at arm's length prices.

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

4.6 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers service to a customer.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.6 Revenue recognition (continued)

The Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

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

4.6.1 Fees from advisory services

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

4.7 Rental income

Rental income arising from investment properties is accounted for on a straight-line basis over the lease term.

4.8 Interest income on financial assets

Interest income is recognised using the effective interest method.

4.9 Dividend income

Dividend income is recognised when the right to receive payment is established.

4.10 Operating expenses

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

4.11 Borrowing costs

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.12 Taxation

4.12.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

4.12.2 Zakat

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

Under the Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

4.13 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property.

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

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

4.14 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within "change in fair value of investment properties".

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss resulting from disposal of an investment property is immediately recognised in the consolidated statement of profit or loss within "gain/loss on sale of investment properties".

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.14 Investment properties (continued)

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, plant and equipment up to the date of change in use.

4.15 Leased assets

The Group as a lessee

A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration’.

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

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

Measurement and recognition of leases as a lessee.

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

Right-of-use asset

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

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.15 Leased assets (continued)

Lease liability (continued)

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

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

4.16 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

4.17 Financial instruments

4.17.1 Recognition, initial measurement and derecognition

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments (continued)

4.17.1 Recognition, initial measurement and derecognition (continued)

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group’s continuing involvement in the asset.

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

4.17.2 Classification of financial assets

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

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVTOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity’s business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see note 4.17.3 below); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments (continued)

4.17.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

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

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

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

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

- Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- Receivables and other assets

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. Bad debts are written off as incurred.

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

- Due from related parties

Amounts receivable as a result of transactions with related parties and cash advances to related parties are included under due from related parties.

b) Financial assets at FVTOCI

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments (continued)

4.17.3 Subsequent measurement of financial assets (continued)

b) Financial assets at FVTOCI (continued)

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

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

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

c) Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The category also contains investments in equity shares.

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

The Group's financial assets at FVTPL comprise investment in equity shares.

4.17.4 Impairment of financial assets

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

The Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets at amortised cost or at FVTOCI.

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments

4.17.4 Impairment of financial assets (continued)

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

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

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

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

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

4.17.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include payables and other liabilities, due to related parties, due to banks and borrowings.

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

- **Financial liabilities at amortised cost**

These are stated using effective interest rate method. Payables and other liabilities, due to related parties, due to banks and borrowings are classified as financial liabilities other than at FVTPL.

- *Payables and other liabilities*

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Financial instruments (continued)

4.17.5 Classification and subsequent measurement of financial liabilities (continued)

- *Financial liabilities at amortised cost (continued)*

- *Due to related parties*

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

- *Due to banks*

Due to banks represents the portion unpaid interest payable.

- *Borrowings*

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

4.18 Amortised cost of financial instruments

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

4.19 Trade and settlement date accounting

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

4.20 Offsetting of financial instruments

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

4.21 Fair value of financial instruments

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

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.22 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

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

Fair value reserve – comprises gains and losses relating to investments at FVTOCI.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.

Reserve for financial derivatives – comprises gains and losses relating to derivative liabilities.

Accumulated losses include all current and prior period profits and losses.

All transactions with shareholders of the Group are recorded separately within equity.

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

4.23 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, (the "gain of the sale of 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 then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

4.24 Provisions, contingent assets and contingent liabilities

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.25 Provision for 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.

With respect to its Kuwaiti national employees, in addition to the end of service benefits the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

4.26 Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in these consolidated financial statements.

4.27 Related party transactions

Related parties represent board of directors, key management personnel and their close family members and other related parties such as major shareholders and companies in which board of directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control.

4.28 Foreign currency translation

4.28.1 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

4.28.2 Foreign operations

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

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Further, note 34 discusses the impact of COVID19 on the preparation of the consolidated financial statements.

5.1 Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.17). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Judgements in determining the timing of satisfaction of performance obligations

The determination of the whether or not performance obligation criterial set out in IFRS 15 relating to transfer of control of goods to customers has been satisfied requires significant judgement.

5.1.3 Business combinations

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

5.1.4 Fair values of assets and liabilities acquired

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

5.1.5 Control assessment

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

5.1.6 Significant influence

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the company.

5.1.7 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value.

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.1 Significant management judgments (continued)

5.1.7 *Classification of real estate (continued)*

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

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

5.2 Estimation uncertainty

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

5.2.1 *Impairment of financial assets*

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

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

5.2.2 *Fair value of financial instruments*

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

5.2.3 *Impairment of associates and joint ventures*

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in associates and joint ventures, at each reporting date based on existence of any objective evidence that the investment in the associate and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

5.2.4 *Revaluation of investment properties*

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

Notes to the consolidated financial statements (continued)

6 Subsidiary companies

6.1 Details of the Group’s consolidated subsidiaries which are directly owned by the Parent Company at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2020	31 Dec. 2019	
		%	%	
First Takaful Insurance Company – KPSC (a)	Kuwait	53.45	90.98	Insurance
Gulf Real Estate Co. – WLL	Kuwait	46.32	46.32	Real estate
IFA Aviation Co. – KSCC	Kuwait	74.80	74.80	Aviation
Radeem Real Estate Co. – SAL	Lebanon	99.90	99.90	Real estate
Dana Real Estate Co. – SAL	Lebanon	96.67	96.67	Real estate

The Group has pledged all of its equity interest in First Takaful Insurance Company – KPSC against borrowings (note 21) and certain due to related parties (note 29).

During the year, First Takaful Insurance (subsidiary) participated in the incorporation of Al Oula Financial Holding – WLL (Holding) (“Al Oula”) with a total share capital of KD1,500,000 in which it owns 51% of the ownership interest. As of the reporting date the share capital of Al Oula has not been paid up and, therefore, has been disclosed as a capital commitment (note 27a). Accordingly, Al Oula has not been consolidated in these consolidated financial statements.

a) Partial disposal of a subsidiary

At the beginning of the year, the Group owned 90.98% of the shares in First Takaful Insurance Company – KPSC (“FTI”) (subsidiary). During October 2020, the Parent Company disposed 40,014,888 shares in FTI, constituting 37.54% of FTI’s total shares to certain related parties for a consideration of KD2,703,806 as settlement of amounts due to related parties (note 29). The decrease in ownership did not result in a loss of control over FTI. Therefore, the difference amounting to KD601,109 between the fair value of the consideration received and the adjustment to the non-controlling interests was recognised as loss in equity and attributed to the owners of the Parent Company.

6.2 Subsidiaries with material non-controlling interests

The Group includes one subsidiary with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		(Loss)/profit allocated to NCI		Accumulated NCI	
	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
	%	%	KD	KD	KD	KD
First Takaful Insurance Company – KPSC	46.55	9.02	(815,623)	75,823	3,724,171	789,416
Individually immaterial subsidiaries with non-controlling interests			(49,659)	68,545	345,144	399,676
			(865,282)	7,278	4,069,315	1,189,092

Notes to the consolidated financial statements (continued)

6 Subsidiary companies (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

No dividends were paid to the NCI during the years 2020 and 2019.

Summarised financial information for the above subsidiary, before intragroup eliminations, is set out below:

First Takaful Insurance Company – KPSC

	31 Dec. 2020 KD	31 Dec. 2019 KD
Non-current assets	12,981,124	14,307,169
Current assets	1,274,243	4,297
Total assets	14,255,367	14,311,466
Non-current liabilities	5,797,219	5,317,318
Current liabilities	458,364	238,399
Total liabilities	6,255,583	5,555,717
Equity attributable to the shareholders of the Parent Company	4,275,613	7,966,333
Non-controlling interests	3,724,171	789,416
	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
(Loss)/profit for the year attributable to the shareholders of the Parent Company	(4,881,159)	765,158
(Loss)/profit for the year attributable to NCI	(815,623)	75,823
(Loss)/profit for the year	(5,696,782)	840,981
Other comprehensive income/(loss) for the year attributable to the shareholders of the Parent Company	4,495,354	(499,237)
Other comprehensive income/(loss) for the year attributable to NCI	445,463	(49,472)
Total other comprehensive income/(loss) for the year	4,940,817	(548,709)
Total comprehensive (loss)/income for the year attributable to the shareholders of the Parent Company	(385,805)	265,921
Total comprehensive (loss)/income for the year attributable to NCI	(370,160)	26,351
Total comprehensive (loss)/income for the year	(755,965)	292,272
	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Net cash flow used in operating activities	(1,365,698)	(538,987)
Net cash from investing activities	1,367,483	538,987
Net cash flow	1,785	-

Notes to the consolidated financial statements (continued)

7 Net loss on disposal of associates

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Loss on sale of an associate (7.1)	(4,700,119)	-
Deemed loss on disposal of associates (7.2)	(1,302,512)	-
Loss on partial disposal of an associate (7.3)	(663,992)	-
Gain on discontinuation of equity method accounting for an associate (7.4)	915,547	-
	(5,751,076)	-

7.1 Loss on sale of an associate

During the year, one of the Group's subsidiaries, First Takaful Insurance Company - KPSC, sold its entire ownership interest of 35% in Neova Sigorta Insurance Company – Turkey, for a total consideration of USD39,233,449 (equivalent to KD 12,142,762) resulting into a loss of KD4,700,119 as follows:

	KD
Sale consideration (a)	12,142,762
Less: Carrying value at the date of disposal	(11,902,064)
Less: foreign exchange differences related to associate recycled to the consolidated statement of profit or loss on sale	(4,940,817)
Loss on sale	(4,700,119)

- a) First Takaful Insurance Company - KPSC received the total sale consideration amounting to USD39,233,449 (equivalent to KD12,142,762). Out of the total proceeds, an amount of USD2,113,951 (equivalent to KD654,268) has been restricted pending finalisation of formalities relating to transfer of all shares (note 13). Subsequent to the reporting date, this amount was released as the formalities relating to shares transfer were completed.

7.2 Deemed loss on disposal of associates

- a) During the year, one of the Group's associates, IFA Hotels & Resorts Company - KPSC, sold part of its treasury shares which resulted in dilution of the Group's ownership interest in the associate from 45.64% to 43.71%. Consequently, the Group recognised loss on deemed disposal of the associate as follows:

	KD
Loss on disposal of carrying value of the investment	(946,384)
Foreign exchange differences related to associate recycled to the consolidated statement of profit or loss	(234,378)
Reserve for financial derivatives related to associate recycled to the consolidated statement of profit or loss	(28,315)
	(1,209,077)

- b) During the year, one of the Group's associates, Arzan Financial Group for Financing and Investment – KPSC “Arzan”, purchased treasury shares which resulted in increase in the Group's ownership interest in the associate from 16.87% to 17.24%. Consequently, the Group recognised a gain amounting to KD93,435.

Notes to the consolidated financial statements (continued)

7 Loss on disposal of associates (continued)

7.3 Loss on partial disposal of an associate

During the year, the Group sold part of its ownership interest in an associate, Arzan Financial Group for Financing and Investment – KPSC (“Arzan”), without losing its significant influence over Arzan, for a consideration of KD656,375 resulting in a loss of KD663,992 as follows:

	KD
Sale proceeds	656,375
Less: carrying value of disposal	(1,375,762)
Add: foreign exchange differences related to associate recycled to the consolidated statement of profit or loss	55,395
	(663,992)

7.4 Gain on discontinuation of equity method accounting of an associate

Subsequent to the partial disposal described in note 7.3 above, the Group sold 99,224,026 shares in the associate to related parties resulting in a gain of KD60,080. As a result of the sale, the Group assessed that it no longer exercised significant influence over the associate. Accordingly, management discontinued the use of the equity method of accounting and accounted for the retained interest in Arzan as a financial asset at FVTOCI (note 16). Consequently, the Group recognised an aggregate gain on discontinuation of equity method accounting as follows:

	KD
Fair value of retained equity interest	6,151,890
Sale proceeds	1,552,067
	7,703,957
Less: carrying value of disposal	(7,405,739)
Add: foreign exchange differences related to associate recycled to the consolidated statement of profit or loss	617,329
	915,547

8 Commission income

During the previous year, the Parent Company received USD10,000,000 (equivalent to KD3,022,500) as commission for assisting a foreign contractor in obtaining a major construction project in Kuwait which was recorded as “deferred revenue” under payables and other liabilities in the consolidated financial statements for the year ended 31 December 2019 as the conditions stipulated in the agreement were not completed.

During the current year, the Parent Company completed all conditions stipulated in the agreement and received a further and final amount of USD10,000,000 (equivalent to KD3,058,448). Consequently, the total amount of USD20,000,000 (equivalent to KD6,080,948) has been recognised as commission income in the consolidated statement of profit or loss.

The proceeds received were utilised for funding the investment in joint venture (note 19.2).

Notes to the consolidated financial statements (continued)

9 Reversal of provisions no longer required

During a prior year, the Parent Company had filed a legal case against the Ministry of Finance disputing the basis of calculation of National Labour Support Tax imposed for the financial years ended 31 December 2003, 31 December 2004 and 31 December 2005 aggregating to KD4,739,218.

Subsequently, and after hearing of the case at the Court of First Instance, Court of Appeal and the Discrimination Court, it has been ruled that the National Labour Support Tax due for the above financial years amounts to only KD3,117,566. The Parent Company reversed the excess provision of KD1,621,652 during the year ended 31 December 2019.

10 Other gains on financial assets

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Change in fair value of investments at FVTPL	157,462	232,863
Realised gain on disposal of investments at FVTPL	-	54,034
	157,462	286,897

11 Other income

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Dividend income (a)	43,935	157,657
Interest income from financial assets held at amortised cost	-	117,606
Others	234,909	544,824
	278,844	820,087

a) Dividend income

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Dividend income from investments at FVTPL	43,935	2,483
Dividend income from investments at FVTOCI:		
- Relating to investments held at the end of the year	-	155,174
	43,935	157,657

Notes to the consolidated financial statements (continued)

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

Basic and diluted earnings/(loss) per share attributable to the shareholders of the Parent Company is calculated by dividing the profit/(loss) for the year attributable to the shareholders of the Parent Company by the weighted average number of shares outstanding during the year, excluding treasury shares.

	Year ended 31 Dec. 2020	Year ended 31 Dec. 2019
Profit/(loss) for the year attributable to the shareholders of the Parent Company (KD)	8,229,537	(18,402,271)
Weighted average number of shares outstanding during the year (shares)	249,279,884	249,279,884
Basic and diluted earnings/(loss) per share attributable to the shareholders of the Parent Company (Fils)	33.01	(73.82)

13 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise of the following:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Cash and bank balances	1,052,341	383,362
Less: Restricted balance on borrowings (note 21)	(346,446)	(346,446)
Less: Restricted balance on sale of an associate (note 7.1)	(654,268)	-
Less: Due to banks	(241,582)	(1,218,742)
Cash and cash equivalents as per consolidated statement of cash flows	(189,955)	(1,181,826)

14 Investments at fair value through profit or loss

	31 Dec. 2020 KD	31 Dec. 2019 KD
Local quoted securities	50,758	31,911
Local unquoted securities	153,170	14,555
Foreign unquoted securities	-	2,891,282
	203,928	2,937,748

During the year, the Parent Company transferred foreign unquoted securities amounting to USD9,540,612 (equivalent to KD2,891,282) as part of settlement of borrowings (note 21c). No gain or loss were recognised as a result of the transfer.

Investments at fair value through profit or loss amounting to KD150,112 (31 December 2019: KD11,352) are pledged against borrowing facilities of the Group (note 21) and certain due to related parties (note 29).

Notes to the consolidated financial statements (continued)

15 Receivables and other assets

	31 Dec. 2020 KD	31 Dec. 2019 KD
Financial assets:		
Accounts receivable	11,475	29,616
Staff receivables	32,248	41,145
Qard Hassan to policyholders' fund	3,213,484	2,405,102
Others	212,145	212,329
Total financial assets	3,469,352	2,688,192
Non-financial assets:		
Prepaid expenses	549,273	96,368
Others	297,833	236,720
Total non-financial assets	847,106	333,088
Total receivables and other assets	4,316,458	3,021,280

16 Investments at fair value through other comprehensive income

	31 Dec. 2020 KD	31 Dec. 2019 KD
Local quoted securities (a)	5,484,208	32,264
Foreign quoted securities	1,577	2,680
Local unquoted securities	73,500	4,439,755
Foreign unquoted securities	39,031	46,935
Managed funds	8,616	13,891
	5,606,932	4,535,525

- a) During the year, as a result of the Group's loss of significant influence over Arzan Financial Group for Financing and Investment – KPSC ("Arzan"), the Group accounted for the retained interest in Arzan as investment at FVTOCI amounting to KD6,151,890 (note 7.4).
- b) These investments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these investments as at FVTOCI as it believes that recognising short-term fluctuations in the fair value of these financial assets in the consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these financial assets for long-term purposes and realising their performance potential in the long run.
- c) Investments at fair value through other comprehensive income amounting to KD5,484,089 (31 December 2019: KD4,398,376) are pledged against borrowing facilities of the Group (note 21).

The Group's investments at FVTOCI disaggregated by sectors are as follows:

	Financial services KD	Services KD	Others KD	Total KD
31 December 2020				
Local quoted securities	5,484,208	-	-	5,484,208
Foreign quoted securities	-	-	1,577	1,577
Local unquoted securities	-	-	73,500	73,500
Foreign unquoted securities	-	-	39,031	39,031
Managed funds	8,616	-	-	8,616
	5,492,824	-	114,108	5,606,932

Notes to the consolidated financial statements (continued)

16 Investments at fair value through other comprehensive income (continued)

	Financial services KD	Services KD	Others KD	Total KD
31 December 2019				
Local quoted securities	32,264	-	-	32,264
Foreign quoted securities	-	-	2,680	2,680
Local unquoted securities	-	4,366,255	73,500	4,439,755
Foreign unquoted securities	-	-	46,935	46,935
Managed funds	13,891	-	-	13,891
	46,155	4,366,255	123,115	4,535,525

17 Advance for investments

During the year, First Takaful Insurance (a subsidiary) signed an agreement with a related party, whereby the subsidiary is to invest USD20,000,000 for potential investment opportunities which will be presented to the subsidiary within a certain period from the signing date. On 22 September 2020, the subsidiary transferred USD20,000,000 (equivalent to KD6,106,011) as an advance towards these opportunities. The subsidiary has the right to cancel this agreement and get a full refund of the advanced amount if such opportunities were not agreed upon.

18 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at the beginning of the year	1,832,668	1,861,449
Additions during the year (a)	4,015,000	107,310
Change in fair value arising during the year	(442,973)	(135,739)
Disposals during the year	(103,148)	-
Foreign currency adjustment	660	(352)
Balance at end of the year	5,302,207	1,832,668

- During the year, First Takaful Insurance Company – KPSC (“FTI”) (a subsidiary) approved to purchase certain properties amounting to KD4,015,000 from a related party. However, since FTI is currently unable to transfer the ownership of those properties in its name (pending amendment of its articles), the related party has signed an acknowledgement that the properties are fully owned by FTI. Furthermore, the related party has signed an undertaking to transfer ownership of all these properties in FTI’s name in due course.
- Details of fair valuation of investment properties are disclosed in note 30.3.

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures

	31 Dec. 2020 KD	31 Dec. 2019 KD
Investment in associates (19.1)	19,978,512	60,041,976
Investment in joint venture (19.2)	10,325,394	2,451,200
	30,303,906	62,493,176

19.1 Investment in associates

The details of the associates are as follows:

Company name	Principal Activities	Country of incorporation	31 Dec.	31 Dec.
			2020 %	2019 %
Neova Sigorta Insurance Company (note 7.1)	Insurance	Turkey	-	35
Arzan Financial Group for Financing and Investment – KPSC (note 7.3 and note 7.4)	Financing	Kuwait	-	16.87
IFA Hotels and Resorts Co.– KPSC	Hotel operations	Kuwait	43.71	45.64
Zamzam Religious Tourism Co. – KSCC	Hajj & Umrah	Kuwait	20	20
Weqaya Takaful Insurance and Reinsurance Company-SSC (Quoted) (a)	Insurance	Saudi Arabia	20	20

The movement of the investment in associates is as follows:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Carrying value at the beginning of the year	60,041,976	81,950,281
Share of results of associates	(10,593,588)	(8,560,678)
Dividend received	-	(515,229)
Share of other comprehensive income	690,365	(2,289,124)
De-recognition on disposal of an associate (note 7.1)	(11,902,064)	-
Deemed disposal of an associate (note 7.2a)	(946,384)	-
Increase on sale of treasury shares by an associate	310,916	-
Decrease on purchase of treasury shares by an associate (note 7.2b)	(93,435)	-
Impairment (b)	(8,725,965)	(9,475,000)
Share of loss on partial disposal of interest in subsidiary by an associate	(21,808)	-
Partial disposal of investment in an associate (note 7.3)	(1,375,762)	-
De-recognition on discontinuing the use of equity method accounting (note 7.4)	(7,405,739)	-
Share of adjustment on adoption of IFRS 9	-	(665,756)
Share of adjustment on adoption of IFRS 16	-	269,542
Share of loss on partial disposal of interest in subsidiary	-	(99,594)
Foreign exchange translation adjustment	-	(572,466)
	19,978,512	60,041,976

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures (continued)

- a) The Group has discontinued to recognise its share of further losses of the associate (Weqaya Takaful Insurance and Reinsurance Company) and the investment is stated at a carrying value of KD1 from 1 April 2014 in accordance with IAS-28. The Group's share of unrecognised losses of the associate and its fair value as at 31 December 2020 cannot be determined because the associate's shares have been delisted from trading since 3 June 2014. If the associate subsequently reports profit, the Group will resume recognising its share of these profits only after its share of profits equal the share of losses not recognised.
- b) Following partial sale of shares of Arzan Financial Group for Financing and Investment – KPSC, the Group impaired the remaining investment and recognised an impairment loss of KD7,925,000. Further, the Group assessed the fair value of its investment in IFA Hotels and Resorts at the reporting date and recognised an impairment loss of KD800,000 (2019: impairment losses of KD975,000 and KD8,500,000 for the investment in Neova Sigorta Insurance Company and IFA Hotels and Resorts respectively).
- c) Investment in associates amounting to KD19,133,912 (31 December 2019: KD47,681,577) is pledged against Group's borrowings (note 21).

Summarised financial information of Group's material associates is set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates and not the Group's share of these amounts adjusted for differences in accounting policies between the Group and its associates.

Arzan Financial Group for Financing and Investment - KPSC:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Non-current assets	-	128,685,105
Current assets	-	31,380,119
Total assets	-	160,065,224
Non-current liabilities	-	(36,933,404)
Current liabilities	-	(14,705,040)
Total liabilities	-	(51,638,444)
Net assets attributable to the owner of the Parent Company	-	98,712,297
Non-controlling interest	-	9,929,798
	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Income	-	11,962,873
Profit for the year	-	4,176,916
Other comprehensive loss for the year	-	(7,672,350)
Total comprehensive loss for the year	-	(3,495,434)

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures (continued)

Arzan Financial Group for Financing and Investment - KPSC: (continued)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Group's ownership interest (%)	-	16.87
Net assets of the associate	-	98,712,297
Group's share of net assets	-	16,652,765
Carrying amount	-	16,611,516
Market price	-	3,209,154

No dividends were received from Arzan during the years 2020 and 2019.

IFA Hotels and Resorts Co.– KPSC:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Non-current assets	148,370,688	159,685,501
Current assets	103,035,654	111,148,923
Total assets	251,406,342	270,834,424
Non-current liabilities	(66,626,535)	(100,546,500)
Current liabilities	(181,938,882)	(145,828,477)
Total liabilities	(248,565,417)	(246,374,977)
Net assets attributable to the owner of the Parent Company	3,218,407	24,773,647
Non-controlling interest	(377,482)	(314,200)
	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Income	7,348,139	15,893,690
Loss for the year	(18,990,577)	(24,860,013)
Other comprehensive loss for the year	(3,314,968)	(2,208,259)
Total comprehensive loss for the year	(22,305,545)	(27,068,272)

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures (continued)

IFA Hotels and Resorts Co.– KPSC (Quoted): (continued)

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Group's ownership interest (%)	43.71	45.64
Net assets of the associate	3,218,407	24,773,647
Group's share of net assets	1,406,766	11,307,134
Goodwill	18,536,521	20,190,734
Carrying amount	19,943,287	31,497,868
Market price	5,274,392	14,296,379

No dividends were received from IFAHR during the years 2020 and 2019.

Management believes that the current market price per share of its investment in IFAHR is not indicative of its fair value. Accordingly, management has obtained an independent valuation of the investment and recognised an impairment loss of KD800,000 (2019: KD8,500,000).

The Group's consolidated financial statements include the financial information as at and for the 12-month period ended 30 September 2020 for IFA HR after appropriate adjustments were made for the effects of any significant transactions or events for the period up to 31 December 2020.

Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2020 KD	31 Dec. 2019 KD
Non-current assets	-	32,915,825
Current assets	-	109,877,882
Total assets	-	142,793,707
Non-current liabilities	-	(55,599,206)
Current liabilities	-	(65,378,216)
Total liabilities	-	(120,977,422)
Net assets	-	21,816,285

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures (continued)

Neova Sigorta Insurance Company (Unquoted): (continued)

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Income	-	68,656,948
Profit for the year	-	5,996,709
Other comprehensive loss	-	(1,635,618)
Total comprehensive income for the year	-	4,361,091

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Group's ownership interest (%)	-	35
Net assets of the associate	-	21,816,285
Group's share of net assets	-	7,635,699
Goodwill	-	4,266,365
Carrying amount	-	11,902,064

19.2 Investment in joint ventures

The details of the joint venture are as follows:

Company name	Principal Activities	Country of incorporation	31 Dec. 2020 %	31 Dec. 2019 %
Um-Al-Hayman Holding Company – WLL	Holding/investment	Kuwait	50	50

The movement of the investment in joint venture is as follows:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Carrying value at the beginning of the year	2,451,200	-
Additions (a)	7,448,800	2,451,200
Share of result of joint venture (b)	425,394	-
	10,325,394	2,451,200

- a) During the prior year, the Parent Company participated in the incorporation of Um Al-Hayman Holding Company for KD2,541,200 for a 50% ownership interest. During the current year, the Parent Company invested an additional amount of KD7,448,800 (note 8).

Notes to the consolidated financial statements (continued)

19 Investment in associates and joint ventures (continued)

19.2 Investment in joint ventures (continued)

- b) The joint venture has started its operations in the current year and accordingly share of results were accounted for the year ended 31 December 2020.
- c) The carrying value represents the Group's share of the net assets of the joint venture.
- d) Investment in joint venture is pledged against the borrowing facilities obtained to finance the underlying project (note 27b).

20 Payables and other liabilities

	31 Dec. 2020 KD	31 Dec. 2019 KD
Accounts payable and accruals	1,731,760	2,492,732
Deferred revenue (note 8)	-	3,022,500
Dividend payable	48,442	48,442
Provisions for KFAS, NLST and Zakat	5,981,438	5,697,333
Provision for employees' end of service benefits and leave	584,940	516,217
Due to policyholders	2,583,735	2,912,216
Other liabilities	3,290,961	2,482,532
	14,221,276	17,171,972

Notes to the consolidated financial statements (continued)

21 Borrowings

The details of loan balances and bank facilities of the Group are as follows:

	Currency	Period due		Effective interest rates	Purpose	Assets pledged	31 Dec.	31 Dec.
		From	To				2020	2019
							KD	KD
1	KD	01-01-2010	31-12-2019	2.25% above CBK	Local equity financing	Financial portfolio with 32% coverage (a)	8,555,000	8,555,000
2	KD	26-06-2011	31-12-2023	4% above CBK	Debt repayment	Local portfolio with 120% coverage (b)	-	24,000,000
3	USD	01-01-2021	31-12-2025	1.5%	Debt repayment	Shares of Parent Company, shares of associates and investments at FVTOCI (c)	19,862,875	-
4	USD	28-12-2005	28-12-2027	1.5%	Financing the Group's investments	Shares of Parent Company, shares of associates and investments at FVTOCI (c)	-	24,095,334
5	EUR	15-06-2007	28-12-2027	1.5%	Financing the Group's investments	Shares of Parent Company, shares of associates and investments at FVTOCI (c)	-	7,412,298
							28,417,875	64,062,632

a) During a prior year, the Parent Company filed a legal case against the local bank to determine the amount due to the bank. The court referred the case to the experts' department and the next hearing is scheduled to be held on 23 June 2021. In the meantime, during the current year, the local bank obtained a cautionary order in its favour which was suspended as the Parent Company objected its execution. The Court of First Instance rejected the objection which was upheld by the Court of Appeal on 15 December 2020. The Parent Company has filed an appeal with the Court of Cassation, however, no hearing has been scheduled as of the date of the issue of these consolidated financial statements.

Management of the Parent Company believes that the bank is unable to execute the contracts until the final ruling of the original case is made which is currently with the experts' department of Ministry of Justice.

b) The Parent Company had outstanding loan amounting to KD24,000,000 due to a local bank and related accrued interest of KD2,040,584. During the year, the Parent Company signed a settlement agreement with the bank. In accordance with the terms of the agreement, the Parent Company paid KD6,000,000 as full and final settlement for the loan and the unpaid interest, and the lender waived-off the remaining balance of KD20,040,584. The gain of KD20,040,584 on reduction of the borrowings has been recognised in the consolidated profit or loss.

Notes to the consolidated financial statements (continued)

21 Borrowings (continued)

- (c) The Parent Company had outstanding loans of USD79,509,433 and Euro21,916,661 (aggregate equivalent to KD32,277,106) to a foreign bank and related accrued interest of USD2,060,619 and Euro568,616 (aggregate equivalent to KD836,515).

During the year, the Parent Company signed a final settlement contract with the foreign bank and Al-Nozha Al-Dawliya Real Estate Company WLL ("Al Nozha"), a related party. As per the terms of the agreement, the Parent Company settled USD9,540,612 (equivalent to KD2,891,282) out of the total outstanding USD loan by way of transferring certain investments at fair value through profit or loss (note 14). Pursuant to the contract settlement, and as a result of the above transfer, the foreign bank agreed to sell and assign to Al-Nozha the remaining balances of the loans including interest amounting to USD72,029,440 and Euro22,485,277, with all the related securities and guarantees. As a result, the Parent Company's obligations towards the foreign bank has been settled.

Further, during the year, the Parent Company and Al Nozha signed a borrowing agreement whereby Al Nozha agreed to waive off the entire Euro loan and interest of Euro22,485,277 and part of the USD loan and interest of USD6,529,440 which resulted in reduction of total borrowings from these loans by KD10,223,646. Consequently, Parent Company recorded a gain of KD10,223,646.

The borrowings are pledged against Group's assets are as follows:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Restricted balances (note 13)	346,446	346,446
Investments at FVTPL (note 14)	10,139	11,352
Investments at FVTOCI (note 16)	5,484,089	4,398,376
Investment in associates and joint ventures (note 19)	19,133,912	47,681,577
Investment in subsidiaries (note 6)	583	7,966,332
Total assets pledged	24,975,169	60,404,083

22 Share capital

The authorised, issued and paid up share capital of the Parent Company comprised of 266,732,550 shares of 100 Fils each, all fully paid (31 December 2019: 266,732,550 shares of 100 Fils each).

23 Treasury shares

	31 Dec. 2020	31 Dec. 2019
Number of treasury shares (shares)	17,452,666	17,452,666
Percentage of treasury shares to paid up capital (%)	6.54	6.54
Cost (KD)	32,757,404	32,757,404
Market Value (KD)	1,034,943	931,972

Notes to the consolidated financial statements (continued)

24 Reserves

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 50% of the paid-up share capital.

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

Voluntary reserve

In accordance with the Parent Company's Articles of Association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's Board of Directors. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year when losses are made or when cumulative losses exist.

25 Fiduciary accounts

The Parent Company previously managed portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which were not reflected in the consolidated statement of financial position. However, as a result of the legal status of the Parent Company changed to a holding company, it is no longer allowed to manage portfolios. The existing portfolio balance is either currently being disposed of or transferred to other entities. Assets under management on 31 December 2020 amounted to KD862,143 (31 December 2019: KD988,198). The Group earned a management fee of KDNil (31 December 2019: KD12,931) from these activities.

26 Annual general assembly

The board of directors of the Parent Company proposed not to distribute any dividend for the year ended 31 December 2020. This proposal is subject to the approval of the Parent Company's shareholders at the Annual General Assembly.

The ordinary General Assembly of the shareholders of the Parent Company held on 22 June 2020 approved the consolidated financial statements for the year ended 31 December 2019 and the directors' proposal not to distribute dividends for the year ended 31 December 2019.

Notes to the consolidated financial statements (continued)

27 Capital commitments and contingent liabilities

(a) The Group has the following commitments:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Estimated and contracted capital expenditure for construction of properties under development and trading properties	793,160	925,478
Incorporation of a subsidiary (note 6.1)	1,500,000	-
Finance guarantees	11,808	15,314
Post-dated cheques issued	1,892,972	3,411,967
Group's share of engineering, procurement and construction agreement of a plant in an underlying project of a joint venture	32,674,809	-
Contractual capital injection in a joint venture	-	7,448,800
	36,872,749	11,801,559

The Group expects to finance the future expenditure commitments from the following sources:

- a) Sale of investment properties
- b) Share capital increase
- c) Advances provided by the shareholders, related entities and joint ventures
- d) Borrowings, if required

(b) The Group has the following contingent liabilities:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Contingent liabilities		
Corporate guarantee of borrowings by joint venture (note 19.2c)	10,325,394	-
Group's share of guarantee provided by a joint venture	27,603,633	-
Against letters of guarantee	-	2,500,000

Notes to the consolidated financial statements (continued)

28 Segmental information

The Group's activities are concentrated in four main segments: treasury and investments, real estate and others. The segments' revenue, assets and liabilities are reported based on the geographic locations which the Group operates in and which conform with the internal reporting presented to management.

	Treasury and Investments		Real Estate		31 Dec. 2020 KD
	31 Dec. 2020 KD	31 Dec. 2019 KD	31 Dec. 2020 KD	31 Dec. 2019 KD	
Segment income	14,502,422	(8,116,124)	(442,973)	(135,739)	5,601,236
Profit/(loss) for the year before Zakat and NLST	4,686,145	(19,758,244)	(442,973)	(135,739)	3,419,769
Impairment of associates					
Finance costs					
Zakat and NLST					
Total segmental assets	37,167,107	70,349,811	11,418,631	1,846,873	
Total segmental liabilities	(28,659,457)	(65,281,374)	-	-	
Net segmental assets	8,507,650	5,068,437	11,418,631	1,846,873	
Unallocated assets					
Unallocated liabilities					
Net Assets					

Geographical information:

	Assets		Income	
	31 Dec. 2020 KD	31 Dec. 2019 KD	31 Dec. 2020 KD	31 Dec. 2019 KD
Kuwait	52,163,959	64,043,829	24,803,777	(7,721,089)
GCC and Asia	18,400,810	26,835,214	(5,144,820)	1,997,607
Others	1,406,874	4,302,156	1,728	(34,498)
	71,971,643	95,181,199	19,660,685	(5,757,980)

Notes to the consolidated financial statements (continued)

29 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details and transactions with related parties are as follows:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Balances and transactions included in the consolidated statement of financial position:		
Advance for investments (note 17)	6,106,011	-
Investment properties*	3,611,340	-
Due from related parties:		
- Due from associates	16,638,604	16,380,092
- Due from other related parties	2,430,843	3,583,143
	19,069,447	19,963,235
Due to related parties:		
- Due to associates	-	68,157
- Due to other related parties	6,228,911	3,209,727
	6,228,911	3,277,884

* During the year, a subsidiary of the Group purchased certain investment properties through a related party for a total consideration of KD4,015,000. The subsidiary is currently unable to transfer the ownership of those properties in its name (pending amendment of its articles), and accordingly, the related party has signed an undertaking to transfer ownership of all these properties in the name of the subsidiary in due course (note 18).

** During the year, the Parent Company disposed certain shares in a subsidiary to certain related parties as settlement of amounts due to those related parties resulting in a loss of KD601,109 being recognised directly in equity (refer notes 6.1a and 29)

	Year ended 31 Dec. 2020 KD	Year ended 31 Dec. 2019 KD
Transactions included in the consolidated statement of profit or loss:		
Gain on settlement of borrowings (note 21c)	10,223,646	-
Gain on disposal of associate (note 7.4)	60,080	-
Dividend income	-	155,174
Other income	30,000	-
Other operating expenses and charges	1,122,000	80,000
Finance costs	104,448	150,240
Write-off amount due from related party	-	89,289
Key management compensation of the Group:		
Short-term benefits	408,863	408,863

Due from related parties are non-interest bearing and have no specific repayment terms.

Notes to the consolidated financial statements (continued)

29 Related party transactions and balances (continued)

Due to related parties include balances amounting to KD433,284 (31 December 2019: KD3,072,693) which carry an average interest of 4.75% per annum (31 December 2019: 4.75%) and are repayable in 2021. The remaining balances of KD5,795,627 (31 December 2019: KD201,374) are non-interest bearing and have no specific repayment terms.

During the year, the Group settled interest bearing amounts due to related parties amounting KD2,703,806 by partially disposing its ownership interest in a subsidiary (note 6.1a).

The Group has pledged part of its equity interest in First Takaful Insurance Company – KPSC, a subsidiary, against certain due to related parties balances (note 6).

30 Fair value measurement

30.1 Fair value hierarchy

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

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

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

30.2 Fair value measurement of financial instruments

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Financial assets:		
<i>At amortised cost:</i>		
- Cash and cash equivalents (note 13)	1,052,341	383,362
- Receivables and other assets (note 15)	3,469,352	2,688,192
- Due from related parties (note 29)	19,069,447	19,963,235
- Advance for investments (note 17)	6,106,011	-
<i>At fair value:</i>		
- Investments at fair value through profit or loss (note 14)	203,928	2,937,748
- Investments at fair value through other comprehensive income (note 16)	5,606,932	4,535,525
	35,508,011	30,508,062
Financial liabilities:		
<i>At amortised cost:</i>		
- Payables and other liabilities (note 20)	14,221,276	17,171,972
- Due to related parties (note 29)	6,228,911	3,277,884
- Due to banks (note 13)	241,582	1,218,742
- Borrowings (note 21)	28,417,875	64,062,632
	49,109,644	85,731,230

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments

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

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

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

31 December 2020

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at FVTPL				
<i>Investments held for trading:</i>				
Local quoted securities	50,758	-	-	50,758
Local unquoted securities	-	-	153,170	153,170
Investments at FVTOCI				
Local quoted securities	5,484,208	-	-	5,484,208
Foreign quoted securities	1,577	-	-	1,577
Managed funds	-	8,616	-	8,616
Unquoted securities	-	-	112,531	112,531
	5,536,543	8,616	265,701	5,810,860

31 December 2019

Investments at FVTPL				
<i>Investments held for trading:</i>				
Local quoted securities	31,911	-	-	31,911
Local unquoted securities	-	-	14,555	14,555
Foreign unquoted securities	-	-	2,891,282	2,891,282
Investments at FVTOCI				
Local quoted securities	32,264	-	-	32,264
Foreign quoted securities	2,680	-	-	2,680
Managed funds	-	13,891	-	13,891
Unquoted securities	-	-	4,486,690	4,486,690
	66,855	13,891	7,392,527	7,473,273

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

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Quoted securities

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

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

b) Unquoted securities

The consolidated financial statements include investments in unlisted securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation techniques which include some assumptions that are not supportable by observable market prices or rates.

c) Investment in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

The following table gives information about how the fair values of the financial assets at FVTPL and FVTOCI are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 Dec. 2020 KD	31 Dec. 2019 KD				
Investment at FVTPL:						
Local quoted securities	50,758	31,911	1	Quoted bid prices	N/A	N/A
Local unquoted securities	153,170	14,555	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Foreign unquoted securities	-	2,891,282	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Investments at FVTOCI:						
Local quoted securities	5,484,208	32,264	1	Quoted bid prices	N/A	N/A
Foreign quoted securities	1,577	2,680	1	Quoted bid prices	N/A	N/A
Managed funds	8,616	13,891	2	NAV Basis	N/A	N/A
Unquoted securities	112,531	4,486,690	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value

The impact on consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk used to estimate fair value of level 3 investments were changed by 5%.

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

30.2 Fair value measurement of financial instruments (continued)

Level 3 fair value measurements

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

	Investments at FVTPL	
	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at the beginning of the year	2,905,837	3,342,430
Disposal	(2,891,282)	(673,562)
Gains or losses recognised in:		
- Consolidated statement of profit or loss	138,615	236,969
Balance at the end of the year	153,170	2,905,837
Total amount recognised in profit or loss on level 3 instruments	-	53,998

	Investments at FVTOCI	
	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at the beginning of the year	4,486,690	5,956,110
Additions	-	436,851
Disposals	(2,910,837)	(607,466)
Gains or losses recognised in:		
- Other comprehensive loss	(1,463,322)	(1,298,805)
Balance at the end of the year	112,531	4,486,690

30.3 Fair value measurement of non-financial assets

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date. The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2020				
Investment properties				
Land in Jordan	-	-	359,242	359,242
Land in UAE	-	-	330,293	330,293
Apartments in UAE	-	-	3,611,340	3,611,340
Buildings in Lebanon	-	-	1,001,332	1,001,332
	-	-	5,302,207	5,302,207
31 December 2019				
Investment properties				
Land in Jordan	-	-	357,514	357,514
Land in UAE	-	-	371,334	371,334
Apartment in UAE	-	-	103,148	103,148
Buildings in Lebanon	-	-	1,000,672	1,000,672
	-	-	1,832,668	1,832,668

Notes to the consolidated financial statements (continued)

30 Fair value measurement (continued)

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

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management.

The fair value of investment properties was determined using the market comparison approach. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and construction costs.

The non-financial assets within level 3 can be reconciled from beginning to ending balances as follows:

	Investment properties Total	
	31 Dec. 2020 KD	31 Dec. 2019 KD
Balance at the beginning of the year	1,832,668	1,861,449
Additions	4,015,000	107,310
Disposal	(103,148)	-
Gains or losses recognised in consolidated statement of profit or loss:		
- Change in fair value	(442,973)	(135,739)
Foreign currency translation differences	660	(352)
Balance at the end of the year	5,302,207	1,832,668
Total amount included in the consolidated statement of profit or loss for unrealised loss on level 3 assets	(442,973)	(135,739)

31 Risk management objectives and policies

The Group's activities expose it to variety of financial risks: market risks (including currency risk, interest rate risk, and price risk), credit risk and liquidity risk.

The board of directors of the Parent Company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The Group's risk management is carried out by the central risk management function and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

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

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

31.1 Market risk

a) Foreign currency risk management

The Group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirham, Euro and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

a) Foreign currency risk management (continued)

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other foreign currency transactions.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2020 KD	31 Dec. 2019 KD
Euro	22,334	(7,502,824)
US Dollar	(19,928,301)	(24,488,424)
UAE Dirhams	14,418,569	14,409,052

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5% (2019: 5%), then this would have the following impact on the loss for the year. There is no impact on the Group's equity.

	<u>Loss/profit for the year</u>	
	31 Dec. 2020 KD	31 Dec. 2019 KD
Euro	± 1,117	±375,141
US Dollar	± 996,415	±1,224,421
UAE Dirhams	± 720,928	±720,453

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to its borrowings which are both at fixed rate and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

b) Interest rate risk (continued)

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (31 December 2019: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	Year ended 31 Dec. 2020		Year 31 Dec. 2019	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Loss for the year	288,512	(288,512)	673,069	(673,069)

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments, which are primarily located in Kuwait. Equity investments are classified as investments at FVTOCI and investments at FVTPL.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 5% higher, the effect on the equity for the years ended 31 December 2020 and 2019 would have been as follows. There is no significant effect on the profit or loss.

	31 Dec. 2020 KD	31 Dec. 2019 KD
Investments at FVTOCI	274,289	1,747

For a 5% decrease in the equity prices, there would be an equal and opposite impact on the equity for the year, and balances shown above would be negative.

31.2 Credit risk

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

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

	31 Dec. 2020 KD	31 Dec. 2019 KD
Bank balances (note 13)	1,052,341	383,362
Receivables and other assets (note 15)	3,469,352	2,688,192
Due from related parties (note 29)	19,069,447	19,963,235
Advance for investments (note 17)	6,106,011	-
	29,697,151	23,034,789

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.2 Credit risk (continued)

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

Bank balances are maintained with high credit quality financial institutions.

In respect of receivables and other assets, the Group is not exposed to any significant credit risk exposure to any single counterparty.

The credit risk for the amounts due from related parties and advance for investments is considered low by management as the counterparties are reputable Group companies with no history of default. Accordingly, based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group.

Information on other significant concentrations of credit risk is set out in note 31.3.

31.3 Concentration of assets

The Group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	Middle East KD	Asia KD	Europe KD	Total KD
At 31 December 2020				
Cash and cash equivalents	1,026,870	-	25,471	1,052,341
Investments at fair value through profit or loss	203,928	-	-	203,928
Receivables and other assets	3,469,352	-	-	3,469,352
Due from related parties	19,069,447	-	-	19,069,447
Investments at FVTOCI	5,578,608	19,708	8,616	5,606,932
Advance for investments	6,106,011	-	-	6,106,011
	35,454,216	19,708	34,087	35,508,011
At 31 December 2019				
Cash and cash equivalents	359,924	-	23,438	383,362
Investments at fair value through profit or loss	46,466	-	2,891,282	2,937,748
Receivables and other assets	2,688,192	-	-	2,688,192
Due from related parties	19,963,235	-	-	19,963,235
Investments at FVTOCI	4,500,199	21,435	13,891	4,535,525
	27,558,016	21,435	2,928,611	30,508,062

31.4 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk management (continued)

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

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

	On demand KD	Up to 1 year KD	Over 1 Year KD	Total KD
31 December 2020				
Financial liabilities				
Payables and other liabilities	-	7,815,215	6,406,061	14,221,276
Due to related parties	-	6,228,911	-	6,228,911
Due to banks	241,582	-	-	241,582
Borrowings	8,555,000	993,144	18,869,731	28,417,875
	8,796,582	15,037,270	25,275,792	49,109,644
31 December 2019				
Financial liabilities				
Payables and other liabilities	-	11,281,195	5,890,777	17,171,972
Due to related parties	205,191	-	3,072,693	3,277,884
Due to banks	1,218,742	-	-	1,218,742
Borrowings	64,062,632	-	-	64,062,632
	65,486,565	11,281,195	8,963,470	85,731,230

Maturity profile of assets and liabilities at 31 December 2020:

	Within 1 year KD	Over 1 year KD	Total KD
31 December 2020			
Assets			
Cash and cash equivalents	1,052,341	-	1,052,341
Investments at fair value through profit or loss	203,928	-	203,928
Receivables and other assets	1,052,688	3,263,770	4,316,458
Due from related parties	19,069,447	-	19,069,447
Investments at FVTOCI	-	5,606,932	5,606,932
Advance for investments	6,106,011	-	6,106,011
Investment properties	-	5,302,207	5,302,207
Investment in associates and joint ventures	-	30,303,906	30,303,906
Property and equipment	-	10,413	10,413
	27,484,415	44,487,228	71,971,643
Liabilities			
Payables and other liabilities	7,815,215	6,406,061	14,221,276
Due to related parties	6,228,911	-	6,228,911
Due to banks	241,582	-	241,582
Borrowings	9,548,144	18,869,731	28,417,875
	23,833,852	25,275,792	49,109,644

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2019:

	Within 1 year KD	Over 1 year KD	Total KD
31 December 2019			
Assets			
Cash and cash equivalents	383,362	-	383,362
Investments at fair value through profit or loss	2,937,748	-	2,937,748
Receivables and other assets	616,178	2,405,102	3,021,280
Due from related parties	19,963,235	-	19,963,235
Investments at FVTOCI	-	4,535,525	4,535,525
Investment properties	-	1,832,668	1,832,668
Investment in associates and joint ventures	-	62,493,176	62,493,176
Property and equipment	-	14,205	14,205
	23,900,523	71,280,676	95,181,199
Liabilities			
Payables and other liabilities	11,281,195	5,890,777	17,171,972
Due to related parties	205,191	3,072,693	3,277,884
Due to banks	1,218,742	-	1,218,742
Borrowings	64,062,632	-	64,062,632
	76,767,760	8,963,470	85,731,230

32 Capital management objectives

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

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

The capital structure of the Group consists of the following:

Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

	31 Dec. 2020 KD	31 Dec. 2019 KD
Debt (a)	28,417,875	64,062,632
Cash and cash equivalents (note 13)	189,955	1,181,826
Net debt	28,607,830	65,244,458
Equity (b)	22,861,999	9,449,969
Net debt to equity ratio	125%	690%

Notes to the consolidated financial statements (continued)

32 Capital management objectives (continued)

- a. Debt is defined as long- and short-term borrowings.
- b. Equity includes all capital and reserves of the Group.

33 Comparative amounts

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

34 Covid19 pandemic impact

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

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

Impairment of financial assets

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

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

Impairment of non-financial assets

For the investment property the Group considered that there may be an increase in the amount of subjectivity involved in fair value measurements, especially those based on unobservable inputs. Although certain input may involve subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

The Group has also considered any impairment indicators arising as a result of COVID19 and any significant uncertainties around other non-financial assets including its right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID19.

Going concern

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