

Kuwait Resorts Company K.P.S.C.
And its subsidiary
State of Kuwait

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

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Independent Auditor's Report to the Shareholders

Kuwait Resorts Company K.P.S.C.

State of Kuwait

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Resorts Company – K.P.S.C (the "Parent Company") and its subsidiary (together referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with the 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Valuation of Investment Properties

The Group's investment properties are carried at KD 9,840,036 in consolidated statement of financial positions and the net fair value loss recorded in the consolidated statement of income is KD 1,762,381.

The determination of fair value of these investments properties is based on internal and external valuations using the sales comparable approach for the respective asset.

The sales comparable approach requires the valuers to examine and analyse market transaction/data and requires adjustments to be made for the data to account for individual characteristics.

The valuation of the portfolio is a significant judgment area and is based on a number of assumptions. The existence of significant estimation uncertainty, including uncertainty arising from the Covid-19 pandemic, warrants specific audit focus in this area as any bias or error in determining the fair value could lead to a material misstatement in the consolidated financial statements, and is therefore considered to be a key audit matter.

Independent Auditor's Report to the Shareholders (continued)

Kuwait Resorts Company K.P.S.C.

State of Kuwait

Report on the Audit of Consolidated Financial Statements (continued)

Valuation of Investment Properties (continued)

Our Audit Procedures included the following:

- We evaluated the design and implementation of controls in this area.
- We assessed the valuer's objectivity, competence and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient.
- We agreed the total valuation in the valuers report to the amount reported in the consolidated statement of financial position.
- We tested the data provided to the valuer by the Group, on a sample basis.
- We involved our internal real estate valuation specialists to review selected properties valued by external valuers and internally by management and assessed whether the valuation of the properties was performed in accordance with the requirements of IFRS 13 Fair Value Measurement.
- Where we identified estimates that were outside acceptable parameters, we discussed these with the valuers and management to understand the rationale behind the estimates made including incorporation of the considerations of economic disruptions caused by Covid 19.
- We performed sensitivity analyses on the significant assumptions to evaluate the extent of their impact on the determination of fair values.
- We reperformed the arithmetical accuracy of the determination of recoverable amounts.
- We assessed the disclosures made to determine if they were in accordance with the requirements of IFRSs.

Other Information

Management is responsible for the other information. The other information consist of information included in the Annual Report of the Group for the year ended 31 December 2020, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report of 2020 after the date of the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. We have nothing to report in this regard.

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

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

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

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

Independent Auditor's Report to the Shareholders (continued)

Kuwait Resorts Company K.P.S.C.

State of Kuwait

Report on the Audit of Consolidated Financial Statements (continued)

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 to 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 to 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 (continued)

Kuwait Resorts Company K.P.S.C.

State of Kuwait

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any material violations provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the financial year ended 31 December 2020, that might had a material effect on the business of the Company or on its financial position.



Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche - Al-Wazzan & Co.

Kuwait, 18 March 2021

Consolidated Statement of Financial Position as at 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Assets			
Non-current assets			
Property, plant and equipment	5	3,861	55,342
Investment properties	6	9,840,036	11,821,505
Investment in a joint venture	7	73,011	136,761
Investment in an associate		100,814	100,748
		<u>10,017,722</u>	<u>12,114,356</u>
Current assets			
Investment at fair value through OCI	8	16,695,678	13,672,047
Receivables and other debit balances	9	5,090,574	4,968,773
Cash, bank accounts and time deposits	10	1,498,146	2,294,681
		<u>23,284,398</u>	<u>20,935,501</u>
Total assets		<u>33,302,120</u>	<u>33,049,857</u>
Equity and liabilities			
Equity			
Share capital	11	21,021,809	19,646,550
Statutory reserve	12	3,545,243	3,518,019
Treasury shares	13	(754,651)	(388,370)
Fair value reserve		1,256,958	(107,479)
Foreign currency translation reserve		(176,373)	(172,059)
Retained earnings		4,465,844	5,608,816
		<u>29,358,830</u>	<u>28,105,477</u>
Liabilities			
Non-current liabilities			
Provision for employees' end of service indemnity		943,362	898,136
Current liabilities			
Payables and other credit balances	15	1,503,375	2,225,958
Due to banks and financial institutions	14	1,496,553	1,820,286
		<u>2,999,928</u>	<u>4,046,244</u>
Total liabilities		<u>3,943,290</u>	<u>4,944,380</u>
Total equity and liabilities		<u>33,302,120</u>	<u>33,049,857</u>

The accompanying notes form an integral part of these consolidated financial statements.

Adwan Mohammad Al-Adwani
Chairman


Ibrahim Mohamed Al-Ghanim
Vice Chairman & CEO

Kuwait Resorts Company K.P.S.C.
and its subsidiary
State of Kuwait

Consolidated Statement of Income for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Operating revenue		5,865,614	9,677,751
Cost of operations		(3,412,628)	(8,044,220)
Gross operating profit	16	2,452,986	1,633,531
Loss from investment properties	17	(1,767,732)	(132,047)
Cash dividend from investments		1,089,853	529,250
Other expense		(192,009)	(105,040)
Gain/ (loss) from foreign exchange differences		9,968	(5,408)
General and administrative expenses		(536,760)	(668,204)
Expected credit losses provision	10	(686,246)	-
Finance costs		(97,819)	(152,600)
Profit before statutory contributions		272,241	1,099,482
Contribution to KFAS		(2,450)	(9,895)
National Labor Support Tax		(534)	(22,789)
Zakat expense		(213)	(6,545)
Net profit for the year		269,044	1,060,253
Earnings per share (fils)	18	1.32	5.23

The accompanying notes form an integral part of these consolidated financial statements.

Kuwait Resorts Company K.P.S.C.
and its subsidiary
State of Kuwait

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	2020	2019
Net profit for the year	<u>269,044</u>	<u>1,060,253</u>
Other comprehensive income items		
<i><u>Items that may not be reclassified subsequently to the consolidated statement of income</u></i>		
Movements in investments at fair value through other comprehensive income	1,354,904	443,702
<i><u>Items that may be reclassified subsequently to the consolidated statement of income</u></i>		
Foreign currency translation reserve	<u>(4,314)</u>	<u>(134,031)</u>
Total other comprehensive income items	<u>1,350,590</u>	<u>309,671</u>
Total comprehensive income for the year	<u>1,619,634</u>	<u>1,369,924</u>

The accompanying notes form an integral part of these consolidated financial statements.

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

(All amounts are in Kuwaiti Dinar)

	Share capital	Statutory reserve	Treasury shares	Change of fair value reserve	Foreign currency translation reserve	Retained earnings	Total
Balance as at 1 January 2019	19,646,550	3,408,071	(1,305,659)	(528,523)	(38,028)	5,553,142	26,735,553
Net profit for the year	-	-	-	-	-	1,060,253	1,060,253
Other comprehensive income items	-	-	-	443,702	(134,031)	-	309,671
Transferred reserve from disposal of financial assets at fair value through other comprehensive income items	-	-	-	(22,658)	-	22,658	-
Distribution of treasury shares (Note 11)	-	-	917,289	-	-	(917,289)	-
Transfer to reserves	-	109,948	-	-	-	(109,948)	-
Balance as at 31 December 2019	19,646,550	3,518,019	(388,370)	(107,479)	(172,059)	5,608,816	28,105,477
Balance as at 1 January 2020	19,646,550	3,518,019	(388,370)	(107,479)	(172,059)	5,608,816	28,105,477
Net profit for the year	-	-	-	-	-	269,044	269,044
Other comprehensive income items	-	-	-	1,354,904	(4,314)	-	1,350,590
Transfer to retained earnings on disposal of fair value through other comprehensive income investment	-	-	-	9,533	-	(9,533)	-
Purchase of treasury shares	-	-	(366,281)	-	-	-	(366,281)
Issue of bonus shares	1,375,259	-	-	-	-	(1,375,259)	-
Transfer to reserves	-	27,224	-	-	-	(27,224)	-
Balance as at 31 December 2020	21,021,809	3,545,243	(754,651)	1,256,958	(176,373)	4,465,844	29,358,830

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Cash flows from operating activities			
Net profit for the year		269,044	1,060,253
<i>Adjustments:</i>			
Depreciation	5	181,909	2,392,243
Loss on sale of investments properties	17	5,351	13,572
Cash dividend from investments		(1,089,853)	(529,250)
Change in fair value of investment property	17	1,762,381	118,475
Expected credit loss	10	686,246	-
Impairment on investment in joint venture		-	75,000
Provision for employees' end of service indemnity		144,906	187,773
Finance costs		97,819	152,600
<i>Operating cashflow before changes in working capital</i>		<u>2,057,803</u>	<u>3,470,666</u>
Receivables and other debit balances		(121,801)	306,336
Payables and other credit balances		(616,729)	(243,501)
Payment of employees end of service indemnity		<u>(99,680)</u>	<u>(114,272)</u>
Net cash generated from operating activities		<u>1,219,593</u>	<u>3,419,229</u>
Cash flows from investing activities			
Paid for purchase of property, plant and equipment	5	(130,444)	(113,822)
Paid for time deposits		-	(113,323)
Proceeds from sale of investment properties		213,824	82,990
Paid for purchase of financial assets at fair value through OCI		(1,680,051)	(142,715)
Proceeds from sale of financial assets at fair value through OCI		11,324	83,730
Cash dividend received		<u>1,089,853</u>	<u>529,250</u>
Net cash (used in) / generated from investing activities		<u>(495,494)</u>	<u>326,110</u>
Cash flows from financing activities			
Purchase of treasury shares		(366,281)	-
Repayments to banks and financial institutions		(328,200)	(2,892,968)
Finance costs paid		<u>(139,907)</u>	<u>(370,920)</u>
Net cash used in financing activities		<u>(834,388)</u>	<u>(3,263,888)</u>
Net change in cash and cash equivalents		(110,289)	481,451
Expected credit loss		(686,246)	-
Cash and cash equivalents at beginning of the year		<u>2,294,681</u>	<u>1,699,907</u>
Cash and cash equivalents at end of the year	10	<u>1,498,146</u>	<u>2,181,358</u>

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

1. Incorporation and activities

Kuwait Resorts Company is a Kuwaiti Public Shareholding Company ("the Parent Company") established in Kuwait, under article of incorporation No. 4179 dated 7 August 2002 and registered in the commercial register under No. 91093 dated 22 September 2002.

The address of the Parent Company's registered office is P.O. Box, 7887, Fahaheel - 64009, State of Kuwait.

The Parent Company's objectives are as follows:

- 1- Design, construct, manage and utilize Mangaf Resort (Plage 13) according to contract signed with Touristic Enterprise Company (KSC) and its annexure signed with Ministry of Finance, which includes five stars hotel, ballroom, shops, chalets and gyms.
- 2- Purchase and rent equipment, machines, catering and consumables that serve the Company's objectives.
- 3- Owning, selling and acquiring real estate and lands and developing them in the Company's favor, inside and outside Kuwait, also managing others' properties, without violating the laws relating to private residential houses.
- 4- Owning, selling and acquiring real estate company's shares and bonds only in favor of the Company inside and outside Kuwait.
- 5- Preparing studies and providing consultations in the field of real estate.
- 6- Owning and managing hotels, gyms and touristic facilities and renting them.
- 7- Conducting maintenance activities relating to buildings and real estates owned by the Company including civil, mechanic and electrical works and elevators and air condition maintenance that maintain safety of the buildings.
- 8- Managing, operating, investing and renting all kind of hotels, clubs, motels, rest houses, resorts, parks, exhibitions, restaurants, cafeterias, residential compounds, health and touristic resorts, entertaining and sport projects and shops including all basic and supporting services and facilities.
- 9- Organizing real estate exhibitions relating to the Company's real estate projects according to rules and practices in the ministry.
- 10- Conducting real estate auctions according to rules and practices in the ministry.
- 11- Owning and managing commercial complexes and residential compounds.
- 12- Investing the surplus funds in investment and real estate portfolios managed by specialized companies.

The Parent Company conducts the above mentioned activities inside and outside Kuwait by itself or through agent. The Parent Company can incorporate, acquire interest or participate in all means with corporations with similar activities or assist in achieving the Company's objectives inside and outside Kuwait.

The activities of the Parent Company are carried out in accordance with Noble Islamic Sharia principles.

The Parent Company was listed on the Kuwait Stock Exchange on 21 July 2007.

This consolidated financial statements includes the financial statements of the Parent Company and its wholly owned subsidiary Bahrain Resorts Company W.L.L. together referred to as "the Group". The Parent Company owns a five star hotel "Hilton Kuwait Resort" in the State of Kuwait.

The consolidated financial statements of Kuwait Resorts Company K.P.S.C for the year ended 31 December 2020 were authorized for issuance by the Parent Company's board of directors on 18 March 2021, and are subject to the approval of the Annual General Assembly of the shareholders.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). These consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and instruments that are re-measured at fair value, as explained in the accounting policies below.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for changes in significant accounting policies that have been disclosed below. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group.

Interest Rate Benchmark Reform "phase one" amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.

The application of phase one of Interest Rate Benchmark Reform amendments for the first time in the current year has no impact to the Group.

Amendments to IFRS 16: Covid-19 Related Rent Concessions

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- There is no substantive change to other terms and conditions of the lease.

This amendment is not applicable for the lessor. The Covid-19-Related Rent Concessions (Amendment to IFRS 16) has no material impact on the Group.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

2.2.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 <i>Insurance Contracts</i>	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 <i>Reference to the Conceptual Framework</i>	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated <i>Conceptual Framework</i>) at the same or earlier.
Amendments to IAS 16 <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i> The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Interest Rate Benchmark Reform “phase two” amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16	The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. - The amendments apply to all entities and are not optional. - The amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted.

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

2.3 Significant accounting policies

2.3.1 Consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entity controlled by the Company; its subsidiary. Control exists when the Parent Company has: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Company loses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts 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 owners of the Parent Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is stated in the statement of income and is calculated as the difference between:

- (i) The aggregate of the fair value of the consideration received and the fair value of any retained interest and
- (ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2.3.2 Business combinations

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

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

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

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised directly in the statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.3.3 Property, plant and equipment

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

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis. Property, plant and equipment amount is written down to its recoverable amount if the carrying amount is greater than its recoverable amount.

The useful life and depreciation method is reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. A change in the estimated useful life of a property, plant and equipment is applied at the beginning of the year of change prospectively.

Gains or losses on disposals are determined by the difference between the sales proceeds and the net carrying amount of the asset and is recognized in the income statement.

2.3.4 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are initially measured at cost, including transaction costs.

Subsequent to the initial recognition, investment properties are measured at fair value. Gain or losses arising from changes in the fair value of investment properties are included in the statement of income for the period in which they arise.

Investment property is derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

2.3.5 Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

On acquisition of a 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 recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in joint ventures. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

When a Group transacts with a joint venture, the profits or losses relating to the transactions in the joint venture are eliminated to the extent of the Group's interest in the joint venture.

2.3.6 Impairment of tangible and intangible assets other than goodwill

The tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered impairment in value. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the consolidated income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

2.3.7 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through consolidated statement of income are recognised immediately in consolidated statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

Classification of financial assets

The financial assets are classified as follows:

- Amortised cost
- Equity instruments designated as at FVTOCI
- Financial assets at FVTPL

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

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

- The Group may irrevocably elect to classify an equity instrument at fair value though other comprehensive income on initial recognition; 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.

Amortised cost

Financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method adjusted for impairment losses, if any.

Interest income is recognized in the consolidated statement of income.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment's revaluation reserve.

The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

Dividend on these investments in equity instruments are recognised in consolidated statement of income when the Company's right to receive the dividend is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Dividend is included in the 'dividend from investments' line item in statement of consolidated profit and loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

- For financial assets measured at amortised cost, exchange differences are recognised in consolidated statement of income.
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment's revaluation reserve.
- For financial assets measured at FVTPL, exchange differences are recognised in consolidated statement of income.

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Impairment of financial assets

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

Group recognizes ECL for bank balances using low credit risk approach and other receivables using the general approach and uses the simplified approach for trade receivables as required by IFRS 9.

Low credit risk assessment

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

Significant increase in credit risk assessment

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- 1) the financial instrument has a low risk of default;
- 2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- 3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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General approach

Under general approach, assets migrate through the three stages based on the change in credit quality since initial recognition. The Group incorporates forward-looking information based on expected changes in macro-economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is objective evidence of impairment.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortization. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Simplified approach

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables.

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar credit risk characteristics. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Event of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to consolidated statement of income. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated statement of income, but is transferred to retained earnings.

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(All amounts are in Kuwaiti Dinar unless otherwise stated)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the interim condensed consolidated statement of income.

2.3.8 Treasury shares

Treasury shares represent the Parent Company's own shares that have been issued, subsequently purchased by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method, where the total cost of the shares acquired is reported as a contra account within equity. When the treasury shares are disposed; gains are credited to a separate un-distributable account in equity "gain on sale of treasury shares". Any realized losses are charged to the same account to the extent of its credit balance and, any additional losses are charged to retained earnings, then to reserves and then to share premium. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and the gain on sale of treasury shares.

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2.3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.10 Provision for employees' end of service indemnity

The Group is liable under Kuwait Labor Law to make payments under defined benefit plans to employees at termination of employment. Regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the financial statement date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.11 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Parent Company's, functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income. Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except those companies that operate in countries with high inflation rate) are translated into the presentation currency as follows:

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that consolidated financial statements;
- Income and expenses for each statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognized as a separate component of the other comprehensive of income.

2.3.12 Revenue recognition

Revenue is recognized from hotel activity when goods are sold/services are rendered to customers in the normal course of business.

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

Revenue from sale of land and real estate is recognized in the consolidated statement of income when the risk and benefits related to the asset is transferred to the buyer.

2.3.13 Dividend

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the consolidated financial statements in the period in which the dividend are approved by the shareholders of the Parent Company.

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2.3.14 Leasing

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.
- Payments associated with leases of short-term leases and low-value assets are recognized on a straight-line basis as an expense in statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

According to usage nature of the leased asset, the Company classifies the asset within a group of related assets. If the asset meets the definition of real estate investment "IAS 40", the Company measures the asset based on the accounting policy adopted in measuring real estate investments owned by the Company (Note 2.3.4). However, if the asset meets the definition of property, plant and equipment, the Company measures the asset as per the accounting policy adopted in measuring the property, plant and equipment (Note 2.3.3).

Generally, after the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

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The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

3. Financial risk management

3.1 Financial risks

The activities of the Group expose it to a set of financial risks, which are market risk, which include (foreign currency risk and risks of change in fair value resulting from the change in interest rates, and risks of fluctuations in cash flows resulting from the change in interest rates, and price risk) in addition to credit risk and liquidity risk.

The Group's management for these financial risks is concentrated in the continuous evaluation of market conditions and trends and the management's assessment of the changes to long and short-term market factors.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

(a) Market risk

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with Bahraini Dinar. The foreign exchange risk results from future transactions and from the assets and liabilities denominated with different currency other than the functional currency.

The Group has set policies to manage foreign currency risk by closely monitoring change in the currency rates and monitoring the effect of such changes on the financial position of the Group.

The following is the value of net position of Bahraini Dinar as at the consolidated financial statements date:

	2020	2019
Net positions of Bahraini Dinar	(135,920)	(172,059)

The following is the effect of change of foreign exchange rates by 5% against Kuwaiti Dinar, with all other variables are held constant on the Group's equity/consolidated statement of income:

	2020		2019	
	Equity	Statement of income	Equity	Statement of income
Bahrain Dinar	13,618	218,162	20,665	198,380

Equity price risks

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. Financial instruments, which potentially subject the market risk, consist of investment at fair value through statement of income and investments at FVOCI. The Group manages this risk by diversifying its investments on the basis of the pre-determined asset allocations across various categories, continuous appraisal of market conditions and trends and management estimate of long and short term changes in fair value. The Group maintains its quoted investments with specialized investment companies. Monthly reports on investments performance are sent to the Group management for follow up and decisions making.

The Group is exposed to equity price risks arising from equity investments

Equity investments in unlisted entities (Note 8) are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The following sensitivity analysis shows the impact of the change in the indices of the stock markets on the Group's business, as well as equity. This analysis is based on the index change by 5%.

	2020	2019
Impact on equity	317,927	256,609

Interest rate risks

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

The Group is not exposed to interest rate risk as the Group works under Noble Principles of Islamic Sharia and the profit rates are fixed during the contractual maturity period.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist of bank balances, trade receivables, due from related parties, refundable deposits & other debit balance. The Group manages this risk by placing money with high credit rating financial institutions.

The Group always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The following table contains an analysis of the maximum credit risk exposure of financial instruments:

	2020	2019
Bank balances	1,484,680	2,279,625
Trade receivables & due from related parties	768,296	1,036,319
	<u>2,252,976</u>	<u>3,315,944</u>

All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions.

The ECL charge on due from related parties, refundable deposits and other receivables as on 1 January 2020 and for the year ended 31 December 2020 are not material.

(c) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due.

The Group manages the liquidity by keeping appropriate reserves and obtaining bank credit facilities. In addition to continuous monitoring of the expected and actual cash flows and a comparison of maturity dates of financial assets and liabilities.

The following are the undiscounted maturity analysis of financial liabilities of the Group as of 31 December:

	2020	
	From 3 months to 1 year	From 1 to 3 years
Liabilities		
Due to banks and financial Institutions	1,496,553	-
Accounts payables and other credit balances	1,503,375	-
	2019	
	From 3 months to 1 year	From 1 to 3 years
Liabilities		
Due to banks and financial Institutions	1,820,285	-
Accounts payables and other credit balances	2,225,958	-

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the 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 Group's capital structure consists of liabilities bearing contractual profit rates less Cash, bank accounts and time deposits, equity, reserves, and retained earnings.

The Group manages capital risk by continuously monitoring the ratio of borrowing to consolidated equity.

The gearing ratios were as follows:

	2020	2019
Total due to banks and financial institutions	1,496,553	1,820,285
Cash, bank accounts and time deposits	(1,498,146)	(2,294,681)
Net debt	(1,593)	(474,396)
Total equity	29,457,298	28,105,477
Total capital	<u>29,455,705</u>	<u>27,631,081</u>
Gearing ratio (%)	-	-

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

3.3 Fair value estimation

The fair values of financial assets and liabilities are estimated as follows.

- Level 1: Quoted prices in active markets for quoted financial instruments.
- Level 2: Quoted prices in an active market for similar instruments or prices quoted by managers of investment funds or other valuation methods where all the important inputs are based on comparative market data either directly or indirectly.
- Level 3: Valuation methods in which the inputs that are not based on any comparative market data.

Fair value of financial assets and liabilities of the Group measured at fair value on a regular basis is as follows:

	Fair value as at		Fair value level	Valuation techniques and key inputs	Significant unobservable inputs	Relation of unobservable inputs to fair value
Financial assets	2020	2019				
<u>Investments at fair value through OCI</u>						
Quoted shares	7,892,885	5,135,281	1	Last bid price	-	-
Unquoted shares	8,802,793	8,536,766	3	Adjusted book value	Adjusted carrying amount	The higher market risk the lower the fair value

Reconciliation of Level 3 fair value measurements is as follows:

	Unquoted investments	
	2020	2019
Balance as at beginning year	8,536,766	8,403,741
Change in fair value	(179,451)	133,025
Addition	445,478	-
Balance as at ending year	<u>8,802,793</u>	<u>8,536,766</u>

The fair values of other financial assets and financial liabilities which are not measured at fair value on an ongoing basis equal approximately their carrying values.

4. Significant accounting judgements and estimation

In the application of the Group's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

During the year, the outbreak of COVID-19 pandemic has brought disruptions in business operations of the Company and the economies in which the Company operates. Consistent with its risk management framework, the management has followed prudent steps in minimizing the impact on key risk parameters. Refer note 22 for details.

Judgements:

Classification of financial instruments- IFRS 9

On acquisition of an equity investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has designated its investments in equity instruments mainly as "FVTOCI" as these investments are strategic investments.

Indications of impairment

At each statement of financial position date, management assesses, whether there is any indication that investments in associates, joint venture and equipment may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

The Group has to assess whether credit risk on financial assets and other items has increased significantly since initial recognition in order to determine whether 12 months ECL or lifetime ECL should be recognized.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Contingent liabilities/liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Sources of estimation uncertainty

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

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate. In case no observable market data is available the Group uses an external valuer qualified to do the valuation.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. Management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in note (3.3 & 6).

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Impairment and useful lives of equipment

The Group tests annually whether equipment has suffered impairment in accordance with accounting policies stated in note 2.3.6 and 2.3.2 respectively. The recoverable amount of an asset is based on fair value less costs to sell or value-in-use calculations. The value in use method uses estimated cash flow projection over the estimated useful life of the asset. The Group management determines the estimated useful lives and related depreciation and amortisation charge for the year. It could change significantly as a result of change in technology. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives.

Impairment of associates and joint venture

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each statement of financial position date based on existence of any objective evidence that the investment in associate 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 its carrying value and recognises the impairment loss in the consolidated statement of profit or loss.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets.

Impairment of investment properties

The Group reviews the carrying amounts of its investment properties to determine whether there is an indication that those assets have suffered an impairment loss if the fair values are below than the carrying values. The Group management determines the appropriate techniques and inputs required for measuring the fair value using observable market data and as appropriate, the Group uses reputed valuers qualified to do the valuation.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

Impairment of financial (Receivables)

The Group estimates expected credit loss for all monetary assets carried at amortized cost. The determination of expected credit loss involves significant use of external and internal data and assumptions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

5. Property, plant and equipment

	Buildings	Machinery, equipment and vehicles	Furniture, fittings and carpets	Computers and software	Total
Cost					
Balance at 1 January 2019	28,594,023	634,727	6,924,820	730,614	36,884,184
Additions	-	-	101,322	12,500	113,822
Balance at 31 December 2019	28,594,023	634,727	7,026,142	743,114	36,998,006
Additions	-	60,985	42,886	26,573	130,444
Disposals	-	(64,760)	(21,915)	(6,813)	(93,488)
Balance at 31 December 2020	28,594,023	630,952	7,047,113	762,874	37,034,962
Accumulated depreciation					
Balance at 1 January 2019	26,915,435	597,436	6,347,041	690,509	34,550,421
Charge for the year	1,678,588	31,258	635,667	46,730	2,392,243
Balance at 31 December 2019	28,594,023	628,694	6,982,708	737,239	36,942,664
Charge for the year	-	67,014	82,451	32,444	181,909
Disposals	-	(64,756)	(21,907)	(6,809)	(93,472)
Balance at 31 December 2020	28,594,023	630,952	7,043,252	762,874	37,031,101
Net book value					
At 31 December 2020	-	-	3,861	-	3,861
At 31 December 2019	-	6,033	43,434	5,875	55,342
Rate of depreciation per annum (%)	6	20	50-20	33.33	

Property, plant and equipment are mainly represents assets of "Hilton Kuwait Resort" which is being utilized by the Group based on the utilization right contract with the Ministry of Finance that ended at the end of the year 2020. The Group's management expects to renew this contract for the other period. The utilization contract requires the transfer of all Hilton Resort assets to the Ministry of Finance without any consideration or compensation upon the end of that contract. Also, the higher of annual utilization fees of KD 500,000 or 10% of annual revenue is paid to the Ministry of Finance.

6. Investment properties

	2020	2019
Balance as at 1 January	11,821,505	12,049,245
Disposals	(221,061)	(96,562)
Change in fair value	(1,762,381)	(118,475)
Foreign currency translation differences	1,973	(12,703)
Balance as at 31 December	9,840,036	11,821,505

The fair value of the Group's investment properties as at 31 December 2020 has been arrived on the basis of valuation carried out by independent valuers. Those valuers are licensed by the official bodies and they have qualifications and experience in valuation of properties at these locations. The fair value is categorized under level 2 and determined based on the market comparable approach that reflects recent transaction priced for similar properties. In estimating the fair value of the properties, the highest and best use of these properties is their current use.

The investment properties pledged against bank facilities were KD 9,014,524 as of 31 December 2020 (KD 10,564,674 - 2019) (Note 14).

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

7. Investment in a joint venture

The joint venture represents the Group's share of 22% in a project in the Sultanate of Oman as at 31 December 2020. The Group's share of Oman Sultanate joint venture results was not recognized for the year ended 31 December 2020 as no financial statements were available for this joint venture.

8. Investments at fair value through OCI

	2020	2019
Quoted investments	7,892,885	5,135,281
Unquoted investments	8,802,793	8,536,766
	<u>16,695,678</u>	<u>13,672,047</u>

Investments at fair value through OCI are mainly represented in investments with related parties as of 31 December 2020.

The fair value of the investments was determined on valuation basis mentioned in Note (3.3) to these consolidated financial statements.

The investments include an amount of KD 12,849,941 pledged to banks as at 31 December 2020 (KD 11,402,319 - 2019) against facilities granted to the Group and the investee Company.

Analysis of investments based on geographical basis is as follows:

	2020	2019
State of Kuwait	16,423,310	13,258,746
GCC	272,368	413,301
	<u>16,695,678</u>	<u>13,672,047</u>

9. Receivables and other debit balances

	2020	2019
Trade receivables	283,735	523,693
Less: provision for the allowance of doubtful debts	(102,720)	(102,326)
	181,015	421,367
Prepayments	110,948	101,024
Advance payments to acquire investment properties	4,322,278	3,932,454
Due from related parties (Note 19)	340,500	340,500
Other debit balances	135,833	173,428
	<u>5,090,574</u>	<u>4,968,773</u>

10. Cash, bank accounts and time deposits

	2020	2019
Cash in hand	13,466	15,056
Cash at banks and portfolios	1,484,680	1,187,470
Time deposits	686,246	1,092,155
	2,184,392	2,294,681
Expected credit loss	(686,246)	-
	<u>1,498,146</u>	<u>2,294,681</u>

The Group has time deposits denominated in US Dollar amounting to KD 686,246 placed with a foreign bank. During the period the bank has failed to payback these deposits to the Group. Accordingly, the management has assessed these deposits to be impaired and accordingly 100% expected credit losses have been recorded in the consolidated statement of income for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

11. Share capital

The authorized, issued and paid up capital of the Parent Company amounting to KD 21,021,809 comprises of 210,218,085 shares of 100 fils each as of 31 December 2020 (KD 19,646,550 comprise of 196,465,500 shares as of 31 December 2019). The effect of bonus share was amended in the commercial register on 9 August 2020.

On 24 June 2020 the Ordinary General Assembly of the shareholders has approved the consolidated financial statements for the year ended 31 December 2019 and approved distribution of bonus shares of 7%. (distribution of 5 treasury shares of the Parent company for each 100 shares - 2018) which was distributed on 26 August 2020.

The Board of Directors of the Parent Company at its meeting dated 18 March 2021 has proposed distribution of cash dividends of 2 fils per share and distribution of 3% bonus shares (Treasury Shares) fir the year ended 2020.

12. Statutory reserve

In accordance with the Companies Law No. 1 of 2016 and it's executive regulations, as amended, and the Parent Company's Articles of Association, 10% of the net profit for the year, before contribution to KFAS, NLST, Zakat, and Board of Directors remuneration is required to be transferred to the statutory reserve. The general assembly may discontinue this transfer, in case the reserve exceeds 50% of the paid up 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.

13. Treasury shares

	2020	2019
Number of shares (share)	11,253,928	3,834,343
Percentage of issued shares (%)	5.35	1.95
Market value (KD)	701,120	231,211

The Parent Company is required to retain reserves and retained earnings equal to the purchased treasury shares which are non-distributable along acquisition period according to the instructions of the concerned regulatory authorities.

14. Due to banks and financial institutions

	2020	2019
Due to banks and financial institutions	1,496,553	1,820,286

The average effective finance cost rate on credit facilities was 3.5% as at 31 December 2020 (5.5% - 2019).

Due to banks and financial institutions are secured by investment properties (Note 6), investments at fair value through OCI (Note 8), and secured by a mortgage of certain real estate properties owned by a major shareholder and his guarantee. The Group will transfer rights on revenue generated from Hilton Resorts during the period of the loan contract to the Bank. Note 3.1 shows the maturity analysis of due to banks and financial Institutions.

15. Payables and other credit balances

	2020	2019
Trade payables	140,797	232,828
Accrued expenses and leave	366,270	473,572
Due to related parties (Note 19)	156,988	158,423
Contribution to KFAS	125,101	122,651
Dividend payables	31,901	38,265
Other	682,318	1,200,219
	<u>1,503,375</u>	<u>2,225,958</u>

16. Gross operating profit

This item represents the gross operating profit of Hilton Kuwait Resort.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

17. Loss from investment properties

	2020	2019
Change in fair value of investment properties (Note 6)	(1,762,381)	(118,475)
Loss on disposal of investment properties	(5,351)	(13,572)
	<u>(1,767,732)</u>	<u>(132,047)</u>

18. Earnings per share

Earnings per share is calculated based on the net profit for the year divided by the weighted average number of ordinary shares, which is determined based on the outstanding number of shares of issued capital during the year after deducting treasury shares as follows:

	2020	2019
Net profit for the year	269,044	1,060,253
Weighted average number of outstanding shares (share)	203,945,550	202,854,931
Earnings per share (fils)	<u>1.32</u>	<u>5.23</u>

The comparative period has been amended, taking into consideration the bonus shares of 2019 (Note 11).

19. Related parties transactions

Related parties represent shareholders who have representatives in the Boards of Directors, members of the Boards of Directors, board members, directors and companies controlled by the major shareholders. In the ordinary course of Group's business, related party transactions during the year have been carried out and the transactions and balances are as follows:

	2020	2019
Balances		
Due from related parties	340,500	340,500
Due to related parties	156,988	158,423
Transactions		
Key management benefits	460,096	377,346
Gains from investments	512,419	528,250
Professional fees	-	36,000

The amounts due from / to related parties are non-interest bearing and are recoverable / payable on demand.

20. Contingent commitments and liabilities

	2020	2019
Guarantees	440,225	440,225

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

21. Segment reporting

The Group is organized into three major operating segments hotels, financial investment and real estate. Segments results are reported to senior executive management. Further, the Group's operating results, assets and liabilities are reported according to geographical areas in which it operates. Revenue, profits, assets and liabilities are measured according to the same accounting bases followed in preparation of consolidated financial statements.

Segment analysis in line with internal reports submitted to executive management is as follows:

	31 December 2020				31 December 2019			
	Hotels	Financial Investment	Real Estate	Total	Hotels	Financial Investment	Real Estate	Total
Revenues	5,865,614	-	(877,696)	4,987,918	9,677,751	-	258,247	9,935,998
Expenses	(3,412,628)	(686,247)	-	(4,098,875)	(8,044,220)	-	-	(8,044,220)
Segments results	2,452,986	(686,247)	(877,696)	889,043	1,633,531	-	258,247	1,891,778
Other income	6,675	1,133	-	7,808	8,978	24,938	-	33,916
Unallocated expenses	(627,807)	-	-	(627,807)	(865,441)	-	-	(865,441)
Net profit for the year				269,044				1,060,253
Segments assets	1,656,473	-	31,645,647	33,302,120	1,701,440	678,832	30,669,585	33,049,857
Segments liabilities	1,574,561	-	2,368,729	3,943,290	1,910,439	-	3,033,941	4,944,380

Geographic distribution

	31 December 2020			31 December 2019		
	State of Kuwait	GCC	Total	State of Kuwait	GCC	Total
Segment revenue	6,979,292	(1,730,212)	5,249,080	10,217,023	(68,359)	10,148,664
Segment expenses	(4,939,963)	(40,073)	(4,980,036)	(8,993,507)	(94,904)	(9,088,411)
Segment result	2,039,329	(1,770,285)	269,044	1,223,516	(163,263)	1,060,253
Segments assets	23,029,836	10,272,284	33,302,120	20,688,990	12,360,867	33,049,857
Segments liabilities	2,446,736	1,496,554	3,943,290	4,387,481	556,899	4,944,380

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar unless otherwise stated)

22. Impact of COVID-19

The World Health Organization declared on March 11, 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group operates in economies that are relatively dependent on the crude oil prices.

At the reporting date, oil prices have witnessed unprecedented volatility and decline. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group and incorporated the outcome in these consolidated financial statements and explained the changes in light of the available guidance of IFRS related to critical judgments and estimates for the year ended 31 December 2020.

Valuation estimates and judgements

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the 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 current scenario. Further information on the Group's policy in relation to fair value measurements is disclosed in Note 4.

Investment properties

The Group considered the best available information about past events, current conditions and forecasts of economic conditions in determination of the reported amounts of the Group's Investment properties in these consolidated financial statements. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations. Based on the external third party expert, the Group's management believes that recorded amounts represent the best estimate in light of the available information.

Expected Credit Losses

The Group has reassessed the inputs and assumptions used for the determination of expected credit losses as of 31 December 2020. The Group has updated forward-looking information based on the best estimates and judgement and considering the current economic climate of the respective market in which it operates and its impact on counterparties in various segments; as well as the resultant significant increase in the credit risk and has re-estimated the expected credit losses as of 31 December 2020. This assessment resulted in recording expected credit losses amounting to KD 686,246 for its time deposits which is included in the consolidated statement of income for the year ended 31 December 2020 (Note 10).

Government grants

The Government of Kuwait has provided financial support to business owners in response to the pandemic. During the year ended 31 December 2020, the Ministry of Finance has waived off the Group's contractual rental payments during the period 01 April 2020 to 31 August 2020. The total rental payment waived off amounted to KD 244,404.

Going concern:

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared to cover the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.