Al-Arabiya Real Estate Company
K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Deloitte.

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Independent Auditors' Report to the Shareholders Al-Arabiya Real Estate Company K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

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

We have audited the consolidated financial statements of Al-Arabiya Real Estate Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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.

Basis for Qualified Opinion

- Trade and other receivables, which are carried in the consolidated financial statements at KD 9,597,012 (2019: KD13,250,468), includes an amount of KD 7,039,955 (2019: KD 7,039,955) which represents the net carrying value of a compensation claim due to the Group. We were unable to obtain sufficient appropriate audit evidence about the carrying value of compensation claim receivable by the group because we could not verify management's assertion that this amount was recoverable. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Our audit opinion for the year ended 31 December 2019 was also modified in respect of this matter.
- The Group's investment in Sharm Dreams for Real Estate Development Company ("the associate"), a foreign associate accounted for under the equity method is carried at KD 1,166,645 (2019: KD 1,109,080) in the consolidated statement of financial position at 31 December 2020, and the Group's share of the associate's other comprehensive income of KD 57,385 (2019: KD 93,178) is included in the Group's consolidated statement of comprehensive income for the year then ended. Management has not stated the Group's investment in the associate inclusive of the Group's share of the associate's earnings since no financial information of the associate was available for the years ended 31 December 2020 and 31 December 2019, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount. Our audit opinion for the year ended 31 December 2019 was also modified in respect of this matter.
- Investment properties, which are carried in the consolidated statement of financial position at KD 117,280,181 (31 December 2019: 112,871,558) includes an amount of KD 23,597,000 (31 December 2019: KD 23,034,000) relating to certain investment properties located in the State of Kuwait and an unrealized fair value gain of KD 563,000 for the year ended 31 December 2020 (2019: KD 704,000) is included in the Group's consolidated statement of income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of these investment properties as at 31 December 2020 and consequently the fair value related to these properties because we could not verify the underlying data, method and assumptions used by the valuer in the determination of the fair value of these properties as at 31 December 2020. Consequently we were unable to determine whether any adjustment to these amount were necessary. Our opinion for the year ended 31 December 2019 was also modified in respect of this matter.

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Independent Auditors' Report to the Shareholders Al-Arabiya Real Estate Company K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Basis for Qualified Opinion (continued)

- Loan and bank facilities, which are carried in the consolidated statement of financial position at KD 93,164,856, includes an amount of KD 9,520,226 which is owned to a regional bank located in the United Arab Emirates. Management has not stated the amount owed to a regional bank in the United Arab Emirates inclusive of interest arising from a court verdict, which constitutes a departure from IFRSs. We were unable to determine the adjustments necessary to this amount.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Group incurred a losses of KD 3,580,518 during the year ended 31 December 2020 (31 December 2019: profit of KD 1,666,370) accumulated losses KD 2,568,532, as of that date, the Group's current liabilities exceeded its current assets by KD 83,939,531 (2019: KD 17,702,019). Furthermore, the Group has past due loan instalment and related interests with an amount of KD 9,613,303 as of 31 December 2020. According to the loan contract terms, outstanding loan become due as a result of defaulting, these events and conditions, along with other matters as set forth in Notes 2 and 15 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. In addition to the matters described in Basis for Qualified Opinion section and in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report. 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.

Fair value of investment properties

The Group's investment properties are carried at KD 93,983,181 in the consolidated statement of financial position as at 31 December 2020 and the net fair value gain recorded in the consolidated statement of income amounted to KD 106,606. The Group measures its investment properties at fair value.

The determination of fair value of these investment properties is based on valuations performed by external valuers using either market comparable approach or income capitalized approach.

The Group's discounted future cash flows analysis and the assessment of the expected remaining holding period and income projections on the existing operating assets requires management to apply significant judgements and make significant estimates related to future rental rates, capitalisation rates and discount rates.

Independent Auditors' Report to the Shareholders Al-Arabiya Real Estate Company K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

The existence of significant estimation uncertainty 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 consequently we have determined this to be a key audit matter.

Refer to note 5 in the consolidated financial statements for further details relating to this matter.

We performed the following audit procedures in order to address the Key Audit Matter;

- We evaluated the design and implementation of controls related to the valuation of investment properties.
- We assessed the external valuer's skills, competence, objectivity and capabilities and read their terms of engagement with the Group to determine that the scope of their work was sufficient for audit purposes.
- 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 have reviewed selected properties valuation valued by the external valuers 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.
- 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 in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other information included in the Group's 2020 Annual Report

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

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

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

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Independent Auditors' Report to the Shareholders Al-Arabiya Real Estate Company K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2020 Annual Report (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the compensation claim amount, the carrying amount of investment in associate and the fair value basis of local investment property and the carrying value of the loan as at 31 December 2020. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

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

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

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Independent Auditors' Report to the Shareholders Al-Arabiya Real Estate Company K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

- 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 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 auditors' 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 to 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 auditors' 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.

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Independent Auditors' Report to the Shareholders Al-Arabiya Real Estate Company K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit, except for the matters described in the Basis for Qualified Opinion section of our report, and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended; and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position, except that the Parent Company has directly invested in shares of certain companies, whose objectives are different from the Parent Company's (Note 7).

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

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Kuwait, 29 April 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 KD	2019 KD
Assets			
Non-current assets			
Property, plant and equipment	4	**15,910,653**	16,637,926
Investment properties	5	**117,280,181**	112,871,558
Investment in an associate	6	**1,166,465**	1,109,080
Financial assets at fair value through other comprehensive income	7	**9,241,491**	11,119,287
		143,598,790	141,737,851
Current assets			
Trade and other receivables	8	**9,597,012**	13,250,468
Cash and cash equivalents	9	**798,981**	744,707
		10,395,993	13,995,175
Total assets		**153,994,783**	155,733,026
Equity and liabilities			
Equity			
Share capital	10	**50,984,499**	50,984,499
Share premium		**327,188**	327,188
Treasury shares	11	**(714,784)**	(714,784)
Statutory reserve	12	**4,744,392**	4,744,392
Voluntary reserve	13	**174,732**	174,732
Other reserves	14	**(305,470)**	1,453,121
(Accumulated losses) retained earnings		**(2,568,532)**	997,717
Total equity		**52,642,025**	57,966,865
Liabilities			
Non-current liabilities			
Employees' end of service benefits		**323,743**	516,371
Loans and bank facilities	15	**6,693,491**	65,552,596
		7,017,234	66,068,967
Current liabilities			
Trade and other payables	16	**7,864,159**	11,364,013
Loans and bank facilities	15	**86,471,365**	20,333,181
		94,335,524	31,697,194
Total liabilities		**101,352,758**	97,766,161
Total equity and liabilities		**153,994,783**	155,733,026

Dr. Emad Jawad Bukhamseen
Chairman

Dr. Anwar Ali Al Naqi
Vice Chairman

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
Revenues			
Rental income		**4,508,404**	5,304,979
Income from a hotel		**2,080,948**	5,896,673
Dividends income		**222,025**	314,188
Other income	17	**173,011**	6,965,245
Foreign exchange loss		**(4,835)**	(26,452)
Unrealized gain (loss) from valuation of investment properties		**106,606**	(1,233,109)
		7,086,159	17,221,524
Expenses			
Investment properties expenses		**743,253**	1,012,146
Loss on sale of investment properties		**-**	480,000
Expenses of a hotel		**2,583,995**	4,481,796
Staff costs	18	**395,341**	478,271
Depreciation		**727,280**	876,327
Impairment of property, plant and equipment		**-**	746,969
Other expenses	19	**2,407,927**	2,893,592
Finance costs		**3,808,881**	4,505,104
		10,666,677	15,474,205
(LOSS) PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOR SUPPORT TAX (NLST) AND ZAKAT		**(3,580,518)**	1,747,319
KFAS		**-**	(15,726)
NLST		**-**	(46,659)
Zakat		**-**	(18,564)
NET (LOSS) PROFIT FOR THE YEAR		**(3,580,518)**	1,666,370
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE	20	**(7.09) fils**	3.30 fils

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
Net (Loss) profit for the year		**(3,580,518)**	1,666,370
Other comprehensive income			
Items that are or may be reclassified to the consolidated statement of income in subsequent periods:			
Foreign currency translation adjustment	14	**60,908**	93,661
		60,908	93,661
Items that will not be reclassified subsequently to the consolidated statement of income in subsequent periods:			
Change in fair value of financial assets at fair value through other comprehensive income	14	**(1,805,230)**	254,298
		(1,805,230)	254,298
Total other comprehensive (loss) income		**(1,744,322)**	347,959
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(5,324,840)**	2,014,329

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital KD	*Share premium KD*	*Treasury Shares KD*	*Statutory reserve KD*	*Voluntary reserve KD*	*Other reserves (Note 14) KD*	*Retained earnings (accumulated losses) KD*	*Total KD*
Balance as at 1 January 2020	50,984,499	327,188	(714,784)	4,744,392	174,732	1,453,121	997,717	57,966,865
Loss for the year	-	-	-	-	-	-	(3,580,518)	(3,580,518)
Other comprehensive loss for the year	-	-	-	-	-	(1,744,322)	-	(1,744,322)
Total comprehensive loss for the year	-	-	-	-	-	(1,744,322)	(3,580,518)	(5,324,840)
Net realised gain transferred to accumulated losses on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(14,269)	14,269	-
Balance as at 31 December 2020	**50,984,499**	**327,188**	**(714,784)**	**4,744,392**	**174,732**	**(305,470)**	**(2,568,532)**	**52,642,025**
Balance as at 1 January 2019	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,105,162	(9,857,205)	56,271,725
Transition adjustment on adoption of IFRS 16 at 1 January 2019	-	-	-	-	-	-	(319,189)	(319,189)
Restated balance as at 1 January 2019	50,984,499	5,614,733	(714,784)	4,569,660	4,569,660	1,105,162	(10,176,394)	55,952,536
Profit for the year	-	-	-	-	-	-	1,666,370	1,666,370
Other comprehensive income	-	-	-	-	-	347,959	-	347,959
Total comprehensive income for the year	-	-	-	-	-	347,959	1,666,370	2,014,329
Extinguishment of accumulated losses	-	(5,287,545)	-	-	(4,569,660)	-	9,857,205	-
Transferred to reserves	-	-	-	174,732	174,732	-	(349,464)	-
Balance as at 31 December 2019	50,984,499	327,188	(714,784)	4,744,392	174,732	1,453,121	997,717	57,966,865

The attached notes 1 to 27 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
OPERATING ACTIVITIES			
Net (Loss) profit for the year		**(3,580,518)**	1,666,370
Non-cash adjustments to reconcile (loss) profit for the year to net cash flows:			
Depreciation	4	**727,280**	876,327
Impairment of property, plant and equipment	4	**-**	746,969
Provision for expected credit loss	8 & 19	**473,739**	632,490
Loss on disposal of investment properties		**-**	480,000
Gain on discharging loan liability	17	**-**	(6,620,207)
Unrealized (gain) loss from valuation of investment properties		**(106,606)**	1,233,109
Provision for employees' end of service benefits		**66,949**	103,177
Reversal of employees' end of service benefits		**(9,745)**	-
Dividends income		**(222,025)**	(314,188)
Finance costs		**3,808,881**	4,505,104
Rent concessions		**(10,200)**	-
		1,147,755	3,309,151
Working capital adjustments:			
Trade and other receivables		**(990,283)**	(421,293)
Trade and other payables		**(3,759,134)**	771,031
Cash flows (used in) from operations		**(3,601,662)**	3,658,889
Employees’ end of service benefits paid		**(249,832)**	(63,493)
Net cash flows (used in) from operating activities		**(3,851,494)**	3,595,396
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**-**	(191,612)
Additions to investments properties		**-**	(60,737)
Proceeds from sale of financial assets at fair value through other comprehensive income		**72,566**	-
Proceeds from sale of investment properties		**-**	10,000
Dividends income received		**222,025**	314,188
Net cash flows from investing activities		**294,591**	71,839
FINANCING ACTIVITIES			
Proceeds from loans and bank facilities		**8,308,984**	-
Loans and bank facilities repaid		**(2,002,255)**	(2,180,875)
Finance costs paid		**(2,536,451)**	(4,103,193)
Payment of lease liabilities		**(30,600)**	(46,505)
Net cash flows from (used in) financing activities		**3,739,678**	(6,330,573)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**182,775**	(2,663,338)
Foreign currency translation adjustments		**(128,501)**	30,594
Cash and cash equivalents at the beginning of the year	9	**744,707**	3,377,451
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	**798,981**	744,707

The attached notes 1 to 27 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Al-Arabiya Real Estate Company K.S.C.P. the "Parent Company" was established in the State of Kuwait on 21 September 1976 and is listed in Boursa Kuwait.

The head office of the Parent Company is located at Sharq, Ahmed Al-Jaber St., Emad Commercial Center, State of Kuwait. The main objectives of the Parent Company are:

- Carrying out various real estate commercial activities including procurement, sale of investments in lands and properties, managing properties for others, undertaking contracting activities and trading in all materials related to construction or required for it.
- Setting up commercial markets, tourism, sport and entertainment facilities.
- Constructing, acquiring and managing hotels and its tourism activities.
- Managing real estate portfolios for the Parent Company only and investment in the shares and projects of other companies whose activities are similar to the Parent Company's activities, establish and manage real estate investment funds only, and use the available financial surplus of the Parent Company for investment in financial and real estate portfolios managed by specialized companies.

The Parent Company is a subsidiary of Bukhamseen Group Holding Company K.S.C. (Holding) (the "Ultimate Parent Company").

The consolidated financial statements for the year ended 31 December 2019 have been approved by the shareholders of the Parent Company in their annual general assembly meeting ("AGM") held on the 10 May 2020.

The consolidated financial statements of the Parent Company and its wholly owned subsidiaries and Hotels (together referred to as "the Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 29 April 2021. The shareholders of the Group have the power to amend these consolidated financial statements in the AGM.

2 GOING CONCERN BASIS OF ACCOUNTING

The Group has incurred a loss of KD 3,580,518 for the year ended 31 December 2020 (31 December 2019: profit of KD 1,666,370), accumulated losses of KD 2,568,532, as of that date, the Group's current liabilities exceed current assets by KD 83,939,531 (31 December 2019: KD 17,702,019). Furthermore, current liabilities include loan instalments and finance cost of KD 9,613,303 payable to a local bank that was reclassified to current liabilities as these were past due and unpaid as of 31 December 2020 (Refer Note 15). Subsequent to the consolidated financial statements date, the bank agreed to reschedule the loan balance and outstanding finance cost to be payable over a period of four and a half years, with a grace period of one year from the date of the agreement to reschedule.

Management acknowledges that uncertainty remains over the Group's ability to meet its funding requirements and to refinance or repay its banking facilities as they fall due. However, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that loan repayments will be met out of operating cash flows or sale properties at their market values. Further, the main shareholders of the Parent Company continue to provide and arrange financial support (as necessary) to enable the Group to meet its financial obligations as they fall due.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to restructure its debt with the banks and meet the mandatory repayment terms of the banking facilities as disclosed in Note 15 to the consolidated financial statements. If for any reason the Group is unable to continue as a going concern, then this could have an impact on the Group's ability to realize its assets and discharge its liabilities in the normal course of business at the amounts stated in the consolidated financial statements but the Group is confident of the successful outcome of negotiations with the banks.

Notwithstanding with the above facts, the consolidated financial statements have been prepared on a going concern basis as the Parent Company's Board of Directors, representing the major shareholders, are confident to meet the Group's liabilities as and when they become due. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

3.1 BASIS OF PREPARATION

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

Basis of preparation
These consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation at fair value of financial assets at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Parent Company's functional and presentation currency.

Certain prior year amounts have been reclassified to conform to the current year presentation. There is no effect of these reclassifications on the previously reported equity as at 31 December 2019 and profit for the year then ended. Such reclassification have been made to improve the quality of information presented.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial information of the Parent Company and its owned subsidiaries and Hotels (together referred to as the "Group") as follows:

	Incorporation country	*Activity*	*Legal entity*	***Ownership (%) 31 December 2020***	*Ownership (%) 31 December 2019*
Holiday Inn Hotel	Kuwait	Services	Hotel	**100**	100
AREC Properties Company Limited	UAE	Real estate	L.L.C.	**100**	100

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of financial position and consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

3.2 BASIS OF CONSOLIDATION (continued)

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. The financial statements of subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, recognized gains and losses resulting from intra-group transactions and dividends are eliminated in full. Total comprehensive income/loss within a subsidiary is attributed to the Parent Company and non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in other comprehensive income
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated statement of income
- Reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

3.3 CHANGES IN ACCOUNTING POLICIES

New standards and amendments effective from 1 January 2020

The accounting policies adopted in the preparation of the consolidated financial statement are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several 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 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, but may impact future periods should the Group enter into any business combinations.

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

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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

3.3 CHANGES IN ACCOUNTING POLICIES (continued)

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

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. The Group has applied the practical expedient to all rent concessions that meet the conditions in IFRS 16: 46B. The Group has benefited from waiver of lease payments on certain operating lease contracts. The waiver of lease payment of KD 10,200 has been accounted for as a negative variable lease payment into other income in the consolidated statement of income. The Group has derecognized the part of the lease liability that has been extinguished by the forgiveness of lease payments, consistent with the requirements of IFRS 9: 3.3.1. The Group continues to recognise interest expense on the lease liability.

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*
The amendments to IFRS 9 *Financial Instruments* and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

3.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

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

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

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

3.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

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

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

Taxation
Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year, in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the Board of Directors' remuneration and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with Law No. 46 of 2006 and the Ministry of Finance resolution No. 58/2007.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Ministry of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Hotels' buildings	40
Furniture and fixtures	3-10
Vehicles	3

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

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets are written down to their recoverable amounts and the impairment loss is recognised in the consolidated statement of income.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

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

Investment properties
Investment properties comprise properties under development and developed properties that are held to earn rentals or for capital appreciation or both. Properties held under a lease are classified as investment properties when they are held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment properties are measured initially at cost, including transaction costs. Transaction costs include professional fees for legal services, commissions and other costs to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

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

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the investment property would result in either gains or losses on the retirement or disposal of the investment property. Any gains or losses are recognised in the consolidated statement of income in the period of derecognition.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

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

The right-of-use assets are subject to impairment in line with the Group's policy as described under "Impairment of non-financial assets".

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

The Group's financial assets includes trade and other receivables, cash and cash equivalents and financial assets at fair value through other comprehensive income.

Under IFRS 9, the Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

Business model assessment
The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The information considered includes:

- The stated policies and objectives for the financial assets and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs, as well as, a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement
The Group has performed an assessment of its financial assets, being trade and other receivables and cash and cash equivalents. The Group has concluded that these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for measurement under the amortized cost method. Accordingly, there is no change in the classification of these instruments.

The subsequent measurement of trade and other receivables will be at undiscounted original invoiced amount or the transaction price less any accumulated expected credit losses.

Financial assets carried at fair value through other comprehensive income (FVOCI)
Upon initial recognition, the Group makes an irrevocable election to classify some of its equity instruments as investments at FVOCI if they meet the definition of equity under IAS 32 Financial Instruments: Presentation, and are not held for trading neither nor contingent consideration recognized by the Group in a business combination. Such classification is determined on an instrument by instrument basis.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Financial assets carried at fair value through other comprehensive income (FVOCI) (continued)
Equity instruments at FVOCI initially recognized at fair value plus directly attributable transaction costs and are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of consolidated statement of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of income. Dividend income are recognised in the consolidated statement of income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity instruments at FVOCI are not subject to impairment assessment.

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group's accounting for impairment losses for financial assets is based on a forward-looking expected credit loss (ECL) approach.

Determination of ECL on trade and other receivables and cash and cash equivalents
With respect to trade and other receivables, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses as the simplified approach does not require the changes in credit risk to be tracked. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group does not determine ECLs on cash and cash equivalents as these are considered to be of low risk and the Group does not expect to incur any credit losses on these instruments.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include loans and bank facilities, and trade and other payables.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial liabilities (continued)

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

loans and bank facilities
After initial recognition, loans and bank facilities are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

Trade and other payables
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

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

Business combinations
Business 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, except for deferred tax assets and 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 IFRSs. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess is recognised immediately in the consolidated statement of income as gains.

Non-controlling interests may be measured either at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value of such share. 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 re-measured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to the consolidated statement of income where such treatment would be appropriate if that interest were disposed off.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill
Goodwill, arising from an acquisition of subsidiaries, 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. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is 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 recognized directly in the consolidated statement of income. An impairment loss recognized for goodwill is not reversed in subsequent periods. On disposal of any of the cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investment in an associate
An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Investment in an associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment in the consolidated statement of financial position is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group's share of the results of the associate's operations. Where there is a change recognised directly in the other comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income. In addition, when there is a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group and in case of different reporting date of associate, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank balances, cash in investment portfolios and bank deposits.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits
The Group provides end of service benefits to all its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

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

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 till the date of the consolidated financial statements. Treasury shares are accounted for using the cost method. Under the cost method, the total cost of the shares 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 "treasury shares reserve". Any realised losses are charged to the same account in the limit of its credit balance, any additional losses are charged to retained earnings to reserves and then to 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.

Foreign currencies translation
The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying amount of foreign associate are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their statement of income are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken to the consolidated statement of comprehensive income as foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated statement of income.

Finance costs
Finance costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other finance costs are recognised as expenses in the period in which they are incurred.

3.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Segment information
A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Useful lives of property, plant and equipment
The management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Fair value measurement and valuation techniques
Certain assets and liabilities of the Group are measured at fair value for preparing the consolidated financial statements. The Group's management determines the appropriate key methods and inputs required for the fair value's measurement. Upon determining the fair value of assets and liabilities, the management uses an observable market data. In case no market observable data is available, the Group shall assign an external qualified valuer to carry out the valuation process. Information about the evaluation methods and necessary inputs, which are used to determine the fair value of assets and liabilities, has been disclosed in Note 5 and Note 26.

Impairment of an associate
Estimation for impairment losses of an associate is made when there is an indication for such impairment. Determination of the impairment is made for the full book value of the Group's investment in an associate including goodwill and therefore, the impairment of goodwill is not separately determined. The impact of such impairment on these consolidated financial statements is disclosed in Note 6.

Expected credit loss (ECL) measurement
The Group always recognises lifetime ECL for trade receivables which generally do not have a significant financing component. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at fair value through other comprehensive income. The amount of expected credit losses is updated at each reporting date.

3.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Leases - Estimating the incremental borrowing rate
The Group cannot readily determine the profit rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market profit rates) when available and is required to make certain entity-specific estimates.

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

Properties classification
Management takes the decision on the acquisition of property whether it should be classified as held for trading, property under development or investment property. Such provisions on acquisition will determine later whether these properties will be measured subsequently at the lower of cost less impairment, at cost or realizable value, or at fair value, and whether changes in the fair value of these properties will be recorded in the consolidated statements of income or other comprehensive income. The Group classifies the properties as follows:

- Property held for trading: if it is acquired principally for sale in the ordinary business activity.
- Property under development: if it is acquired with the intention of development.
- Investment property: if it is acquired for rental income, for capital appreciation, or for undetermined future use.

Classification of investments
Classification of investments is based on management's intention at acquisition and requires considerable judgment.

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

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

Contingent liabilities/liabilities
Contingent liabilities arise as a result of past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events not fully 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.

4 PROPERTY, PLANT AND EQUIPMENT

	Hotel lands KD	*Hotel buildings KD*	*Furniture and fixtures KD*	*Vehicles KD*	*Right-of-use assets KD*	*Total KD*
Cost:						
As at 1 January 2019	2,639,460	28,991,187	2,044,816	101,245	-	33,776,708
Additions	-	-	191,612	-	229,927	421,539
Foreign exchange differences	-	-	(66)	-	-	(66)
As at 31 December 2019	2,639,460	28,991,187	2,236,362	101,245	229,927	34,198,181
Additions	-	-	-	-	-	-
Foreign exchange differences	-	-	40	-	-	40
As at 31 December 2020	**2,639,460**	**28,991,187**	**2,236,402**	**101,245**	**229,927**	**34,198,221**
Depreciation and impairment:						
As at 1 January 2019	-	15,282,582	625,621	28,820	-	15,937,023
Depreciation charge for the year	-	605,658	207,764	28,842	34,063	876,327
Impairment	661,540	4,312	81,117	-	-	746,969
Foreign exchange differences	-	-	(64)	-	-	(64)
As at 31 December 2019	661,540	15,892,552	914,438	57,662	34,063	17,560,255
Depreciation charge for the year	-	454,108	211,386	27,724	34,062	727,280
Foreign exchange differences	-	-	33	-	-	33
As at 31 December 2020	**661,540**	**16,346,660**	**1,125,857**	**85,386**	**68,125**	**18,287,568**
Net book value:						
As at 31 December 2020	**1,977,920**	**12,644,527**	**1,110,545**	**15,859**	**161,802**	**15,910,653**
As at 31 December 2019	1,977,920	13,098,635	1,321,924	43,583	195,864	16,637,926

Hotel lands and hotel buildings amounting to KD 14,622,447 (2019: KD 15,076,555) are pledged against loans and bank facilities (Note 15).

5 INVESTMENT PROPERTIES

	2020 KD	*2019 KD*
Properties inside Kuwait	**77,447,000**	73,034,000
Properties outside Kuwait	**39,833,181**	39,837,558
	117,280,181	112,871,558

During the current year ended 31 December 2020, the management of the Parent Company signed a contract to sell two properties located inside Kuwait, although the title deeds have not been transferred yet and hence these have not been derecognized in the books amounting to KD 2,500,000 which was used to determine the fair value.

Investment properties amounting to KD 86,220,403 (2019: KD 73,034,000) are pledged against loans and bank facilities granted to the Group (Note 15).

As at 31 December 2020, the fair value of investment properties in Kuwait of KD 74,947,000 (2019: KD 73,034,000) has been determined based on valuations obtained from two professional real estate valuers, who are specialised in valuing such type of investment properties. One of these valuers is a local bank and the other is a local reputable accredited valuer. For accounting purpose, the Group has selected the lower of these two valuations (2019: the lower of two valuations) as required by the Capital Markets Authority (CMA).

5 INVESTMENT PROPERTIES (continued)

The valuators have used income capitalisation approach, which is used for valuating developed properties generating rental income assuming full capacity of the property. In respect of the two properties which are contracted to be sold, their contracts values have been taken to be the fair values, which are lower that the fair value assessed by the independent accredited valuers.

The fair value of investment property outside Kuwait has been determined based on valuation performed by an independent professional real estate valuation experts who are specialized in valuing such type of properties as required by the Capital Markets Authority (CMA).

The valuators have used the market comparable approach, due to high volume of transaction involving comparable properties in the area during the year. Under the market comparable approach, a property fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle substitution under which a potential buyer will not pay more for the property than it will cost to buy comparable substitute property. The unit of comparison applied by the Group is the price per square meter.

The following is fair value hierarchy disclosures for classes of investment properties is as at 31 December:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total KD*
2020	**-**	**39,833,181**	**77,447,000**	**117,280,181**
2019	-	39,837,558	73,034,000	112,871,558

There were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

The movement in Level 3 fair value hierarchy during the year is given below:

	As at 1 January KD	*Transfer from receivables KD*	*Additions KD*	*Disposal KD*	*Gain recorded in consolidated statement of income KD*	*As at 31 December KD*
Investment properties						
2020	**73,034,000**	**4,170,000**	**-**	**-**	**243,000**	**77,447,000**
2019	76,630,000	-	60,737	(4,650,000)	993,263	73,034,000

The significant assumptions used in the valuations are set out below:

	2020* *Kuwait	*2019 Kuwait*
Average monthly rent (per sqm) (KD)	**10.82**	10.82
Capitalization rate	**7.06%**	7.02%
Occupancy rate	**100%**	100%

5 INVESTMENT PROPERTIES (continued)

Sensitivity analysis
The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of the investment properties.

	Changes in valuation assumptions	***2020 Kuwait KD***	*2019 Kuwait KD*
Average rent	+/- 5%	**2,488,243**	2,535,897
Capitalization rate	+/- 5%	**2,368,373**	2,348,392
Occupancy rate	- 5%	**(2,486,827)**	(2,467,521)

6 INVESTMENT IN AN ASSOCIATE

Company Name	*Country of Incorporation*	*Percentage of Ownership (%)* ***2020***	*2019*	***2020 KD***	*2019 KD*
Sharm Dreams for Real Estate Development Company (S.A.E)	Egypt	**21.88 %**	21.88 %	**1,166,465**	1,109,080

Following is the movement of the investment in an associate during the years ended 31 December 2020 and 2019:

	2020 KD	*2019 KD*
Balance as at 1 January	**1,109,080**	1,015,902
Foreign currency translation differences	**57,385**	93,178
Balance as at 31 December	**1,166,465**	1,109,080

The above values do not include the Group's share of the associates earnings for the years 2020 and 2019.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 KD	*2019 KD*
Quoted shares	**8,182,192**	9,865,674
Unquoted shares	**1,059,299**	1,253,613
	9,241,491	11,119,287

Financial assets at fair value through other comprehensive income represents shares in other companies whose activities are not similar to the Parent Company's activities amounting to KD 9,241,491 (2019: KD 11,119,287).

Financial assets at fair value through other comprehensive income amounting to KD 6,203,749 (2019: KD 7,820,693) are pledged against loans and bank facilities (Note 15).

Certain financial assets at fair value through other comprehensive income amounting to KD 47,144 (2019: KD 59,432) are registered in the name of nominee on behalf of the Group. The nominees have confirmed in writing that the Group is the beneficial owner of the investments.

8 TRADE AND OTHER RECEIVABLES

	2020 ***KD***	*2019* *KD*
Compensation receivable	**10,057,080**	10,057,080
Provision for impairment	**(3,017,125)**	(3,017,125)
	7,039,955	7,039,955
Trade Receivables	**1,291,276**	5,659,744
Advance payment for purchasing of investment properties	**626,545**	626,545
Net assets of unconsolidated hotel	**308,194**	308,194
Prepaid expenses	**61,708**	124,276
Advance payments to contractors	**55,615**	150,141
Staff receivables	**21,289**	30,756
Due from related parties (Note 22)	**1,571,208**	179,227
Other	**593,024**	629,693
	11,568,814	14,748,531
Provision for impairment of receivables (other than compensation receivables)	**(1,971,802)**	(1,498,063)
	9,597,012	13,250,468

Compensation receivable represents the compensation due to the Group for a land in Ajman Emirate (UAE) whose ownership was expropriated for public benefit in 1996. The total amount due to the Parent Company as per the letter received from the Municipal Council of Ajman Emirate amounted to AED 220 million (approximately KD 16.76 million) (in kind or cash). However, based on a letter from the Group's consultant, the Group has recorded an estimated cost of AED 88 million) for meeting the costs and expenses necessary to finalize the claim and collection procedures. Furthermore, the Group has also estimated an impairment of KD 3.01 million based on management's estimates for the collectable amounts. Accordingly the net receivable is estimated to be KD 7.04 million (2019: KD 7.04 million).

The Group does not hold any collateral as security, for trade and other receivables.

Following is the movement in provision for impairment:

	2020 ***KD***	*2019* *KD*
Balance as at 1 January	**4,515,188**	3,893,910
Charge for the year	**473,739**	632,490
Written off during the year	**-**	(11,212)
Balance as at 31 December	**4,988,927**	4,515,188

9 CASH AND CASH EQUIVALENTS

	2020 ***KD***	*2019* *KD*
Cash on hand	**13,583**	14,017
Bank balances	**372,532**	460,690
Cash in investment portfolios	**412,866**	-
Bank deposits	**-**	270,000
	798,981	744,707

10 SHARE CAPITAL

As at 31 December 2020, the authorised, issued and fully paid share capital in cash of the Parent Company comprised of 509,844,986 shares of 100 fils each (2019: 509,844,986 shares of 100 fils each).

11 TREASURY SHARES

	31 December 2020	*31 December 2019*
Number of shares (share)	**4,619,962**	4,619,962
Cost of treasury shares (KD)	**714,784**	714,784
Percentage to issued shares (%)	**0.91**	0.91
Market value	**115,499**	135,827

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

The weighted average market price of the Parent Company's shares for the year ended 31 December 2020 was 25 fils per share (2019: 29.4 fils per share).

12 STATUTORY RESERVE

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

No transfers were made to statutory reserve since the Group has incurred losses during the year.

13 VOLUNTARY RESERVE

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

No transfers were made to voluntary reserve since the Group has incurred losses for the year. During the prior year, voluntary reserve of KD 4,569,660 were used to extinguish accumulated losses based on annual general assembly meeting held on 18 April 2019.

14 OTHER RESERVES

	Treasury shares reserve KD	*Cumulative change in fair values reserve KD*	*Foreign currency translation reserve KD*	*Total KD*
Balance as at 1 January 2020	1,098,372	1,556,423	(1,201,674)	1,453,121
Change in fair value of financial assets at fair value through other comprehensive income	-	(1,805,230)	-	(1,805,230)
Realized gain from sale of financial assets at fair value through other comprehensive income	-	(14,269)	-	(14,269)
Foreign currency translation adjustment	-	-	60,908	60,908
Balance as at 31 December 2020	**1,098,372**	**(263,076)**	**(1,140,766)**	**(305,470)**

14 OTHER RESERVES (continued)

	Treasury shares reserve KD	*Cumulative change in fair values reserve KD*	*Foreign currency translation reserve KD*	*Total KD*
Balance as at 1 January 2019	1,098,372	1,302,125	(1,295,335)	1,105,162
Change in fair value of financial assets at fair value through other comprehensive income	-	254,298	-	254,298
Foreign currency translation adjustment	-	-	93,661	93,661
Balance as at 31 December 2019	1,098,372	1,556,423	(1,201,674)	1,453,121

15 LOANS AND BANK FACILITIES

	2020 KD	*2019 KD*
Current Portion		
Bank overdraft	**10,749,764**	7,600,356
Term loan from a commercial bank in Kuwait	**65,552,620**	2,888,185
Loan from an local company in Kuwait	**323,524**	311,524
Term loan from a bank in UAE	**9,845,457**	9,533,116
	86,471,365	20,333,181
Non - current Portion		
Term loan from a commercial bank in Kuwait	**-**	65,552,596
Term loan from banks in UAE	**6,693,491**	-
	6,693,491	65,552,596
	93,164,856	85,885,777

During previous years, loan instalments and related finance costs were past due and unpaid to a regional bank in UAE. The bank filed a legal case against the Parent Company during the year ended 31 December 2012. During the year ended 31 December 2015, a court judgment was issued, by virtue of which Rotana Al Sharjah Hotel (unconsolidated subsidiary) was placed under receivership and the creditor bank was appointed as the receiver until the current dispute between the Group and the bank is settled.

During the fourth quarter of 2019, the court "Sharjah Court" issued the appeal judgement which obligate the Group to pay an amount of AED 115 Million (approximately KD 9.7 million) and transfer the title deed of the hotel to the creditor bank, in addition to payment of legal interest of 5% per annum from the date of the lawsuit was filled. The Group carries full provision against this asset.

The legal procedures for transferring the title deed of the hotel to the creditor bank have not been completed up to the date of this consolidated financial statements issuance.

On the basis of the Group legal counsel's opinion the Group has not created a provision for the 5% legal interest payable as the basis on which this interest is to be calculated is not clear from the judgment. Furthermore, the Group's legal counsel has advised that the Group is currently negotiating with the creditor bank regarding the waivers of legal interest, as well as rescheduling the payment of an amount of AED 115 million due to the bank as per the court verdict. The Group is also currently communicating with the execution judge in the United Arab Emirates to set the process of transferring the property ownership to the creditor bank and to obtain more information and explanation regarding to the basis of calculating the 5% interest amount. The management of the Group believes that the outcome of these negotiations with the creditor bank regarding legal benefits is unknown, and its financial impact on the Group as of the date of the issuance of this consolidated financial statement cannot be reasonably determined.

15 LOANS AND BANK FACILITIES (continued)

As of 31 December 2020, loan instalments and related finance costs of KD 9,613,303 payable to a local Kuwaiti bank were past due and the Group defaulted its payment. In accordance with the provisions of the loan agreement, the defaulted amount and all outstanding balances were classified to current liability. Subsequent to the financial statement date, the bank agreed to reschedule the outstanding loan balance and related finance cost to be paid over 4.5 years with a grace period of 1 year from the date of reschedule agreement.

During the current year, the Group's foreign subsidiary has obtained new loan from foreign bank amounting to KD 7,097,500 against pledge of financial and investment properties outside Kuwait and the assignment of all rental revenues related to the pledged asset.

Loans and bank facilities are granted from local and foreign banks with annual interest rates 2.5% over the Central Bank of Kuwait discount rate for local banks and annual interest rates 3% over EIBOR for foreign banks.

Loans and bank facilities amounting to KD 323,524 (31 December 2019: KD 311,524) were obtained from a local Islamic financial institution which are related parties (Note 22).

These loans are granted against pledge of the following assets:

	2020 ***KD***	*2019* *KD*
Property, plant and equipment (Note 4)	**14,622,447**	15,076,555
Investment properties (Note 5)	**86,220,403**	73,034,000
Financial assets at fair value through other comprehensive income (Note 7)	**6,203,749**	7,820,693
	107,046,599	95,931,248

16 TRADE AND OTHER PAYABLES

	2020 ***KD***	*2019* *KD*
Trade payables	**808,278**	412,101
Due to related parties (Note 22)	**848,614**	5,145,727
Dividends payables	**993,970**	993,970
Accrued expenses and leaves	**589,342**	503,724
Refundable deposits	**1,175,850**	1,431,579
Customer advance payments	**659,716**	659,716
Lease liabilities	**472,140**	502,611
Kuwait Foundation for the Advancement of Science	**55,070**	55,070
National Labor Support Tax	**57,865**	69,530
Zakat payable	**50,992**	69,673
Provision for claims	**1,806,800**	1,273,016
Other payables	**345,522**	247,296
	7,864,159	11,364,013

17 OTHER INCOME

	2020	*2019*
	KD	*KD*
Gain on discharging loan liability	**-**	6,620,207
Other income	**173,011**	345,038
	173,011	6,965,245

18 STAFF COSTS

	2020	*2019*
	KD	*KD*
Salaries, wages and bonuses	**307,975**	376,886
End of service benefits and leaves	**59,871**	67,956
Others	**27,495**	33,429
	395,341	478,271

19 OTHER EXPENSES

	2020	*2019*
	KD	*KD*
Professional fees and consulting	**236,992**	564,230
Legal expenses	**145,077**	517,712
Water and electricity	**346,434**	424,908
Provision for expected credit losses	**473,739**	632,490
Insurance	**8,300**	5,431
Maintenance	**79,313**	82,118
Subscriptions	**53,792**	75,257
Others	**1,064,280**	591,446
	2,407,927	2,893,592

20 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

Basic (loss) earnings per share are calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted (loss) earnings per share is calculated by dividing the (loss) profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December 2020.

The information necessary to calculate basic and diluted (loss) earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

	2020	*2019*
(Loss) profit for the year (KD)	**(3,580,518)**	1,666,370
Weighted average number of ordinary outstanding shares	**505,225,024**	505,225,024
(Loss) profit per share	**(7.09) fils**	3.30 fils

As there are no dilutive instruments outstanding, basic and diluted (loss) earnings per share are identical.

21 SEGMENT INFORMATION

The main activity of the Group represents the real estate commercial activities such as purchase and sale of lands and properties and investing them and acquiring and managing hotels and its tourism activities. In addition, the Group invests its financial surpluses by investing directly in the share capital of the companies and financial portfolios.

The activities segments of the Group, which are presented to the management, are represented in the following:
- Real estate segment: which represents all activities related to real estate including investment properties.
- Hotels segment: which represents all activities related to establishment, acquiring and managing hotels.
- Investment segment: which represents all activities related to investing in shares and share capital of the companies.

The following table presents the information about net revenues, costs, (loss) profits, assets and liabilities for each segment:

31 December 2020	*Real estate segment KD*	*Hotels Segment KD*	*Investment Segment KD*	*Unallocated items KD*	*Total KD*
Revenues	**4,615,010**	**2,080,948**	**222,025**	**168,176**	**7,086,159**
Costs	**(743,253)**	**(3,311,275)**	**-**	**(2,803,268)**	**(6,857,796)**
Finance costs	**(3,796,881)**	**-**	**(12,000)**	**-**	**(3,808,881)**
Profit (loss)	**74,876**	**(1,230,327)**	**210,025**	**(2,635,092)**	**(3,580,518)**
Assets	**117,280,181**	**16,267,287**	**10,407,956**	**10,039,359**	**153,994,783**
Liabilities	**82,887,464**	**11,484,177**	**1,317,494**	**5,663,623**	**101,352,758**

31 December 2019	*Real estate segment KD*	*Hotels Segment KD*	*Investment Segment KD*	*Unallocated items KD*	*Total KD*
Revenues	5,784,978	5,896,673	314,188	6,458,794	18,454,633
Costs	(2,764,475)	(5,674,887)	-	(3,843,797)	(12,283,159)
Finance costs	(4,114,982)	(366,166)	(12,000)	(11,956)	(4,505,104)
(Loss) profit	(1,094,479)	(144,380)	302,188	2,603,041	1,666,370
Assets	112,892,503	17,499,115	12,229,074	13,112,334	155,733,026
Liabilities	78,360,931	10,736,216	1,305,493	7,363,521	97,766,161

Geographical distribution of revenues and assets is:

	2020		*2019*	
	Revenues KD	***Assets KD***	*Revenues KD*	*Assets KD*
State of Kuwait	**6,301,722**	**110,079,129**	12,928,623	105,225,232
United Arab Emirates	**784,437**	**40,844,445**	5,526,010	47,489,229
Arab Republic of Egypt	**-**	**3,071,209**	-	3,018,565
	7,086,159	**153,994,783**	18,454,633	155,733,026

22 TRANSACTIONS WITH RELATED PARTIES

These represent transactions with certain parties (major shareholders, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence) entered into by the Group in the ordinary course of business. Pricing policies and terms of these transactions are approved by the Group's management, and board of directors.

The following is the statement of such transactions and balances:

Transactions	***Entities under common control KD***	***Other related parties KD***	***Total 2020 KD***	*Total 2019 KD*
Dividends income	**9,201**	**204,317**	**213,518**	304,188
Finance costs	**-**	**12,000**	**12,000**	11,524
Marketing contribution - Included in expenses of hotel	**12,446**	**-**	**12,446**	36,809
Management fees - Included in expenses of hotel	**16,103**	**-**	**16,103**	93,121
Reservation contribution - Included in expenses of hotel	**6,223**	**-**	**6,223**	18,404
Royalty Fees - Included in expenses of hotel	**-**	**1,936**	**1,936**	23,453
Consultation fee - Included in expenses of hotel	**-**	**42,000**	**42,000**	42,000
General and administrative expense - Included in expenses of hotel	**-**	**28,500**	**28,500**	96,000
Holidex fees - Included in expenses of hotel	**-**	**11,614**	**11,614**	8,744
Commission expenses	**-**	**15,931**	**15,931**	26,728
Assets management fees	**101,538**	**-**	**101,538**	103,148

Balances with related parties included in the consolidated statement of financial position are as follows:

Balances	***Ultimate parent company KD***	***Entities under common control KD***	***Other related parties KD***	***Total 2020 KD***	*Total 2019 KD*
Due from related parties (Note 8)	**1,367,653**	**203,555**	**-**	**1,571,208**	179,227
Due to related parties (Note 16) *	**-**	**848,614**	**-**	**848,614**	5,145,727
Financial assets at fair value through other comprehensive income	**-**	**1,085,852**	**6,250,895**	**7,336,747**	9,209,802
Loans and facilities (Note 15)	**-**	**-**	**323,524**	**323,524**	311,524

* Due to related parties includes an amount due to Ultimate Parent Company KD Nil (2019: KD 4,590,998) which carries an interest of Nil% (2019: 2.5% over the Central Bank of Kuwait discount rate).

Compensation of key management personnel

The remuneration of members of key management during the year were as follows:

	2020 KD	*2019 KD*
Salaries and remunerations	**250,500**	253,000
Employees' end of service benefits	**15,577**	15,577

23 CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities

	2020 KD	*2019 KD*
Letters of Guarantee	**24,591**	24,591

24 RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process. The Board of Directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

24.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Management of the Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Group seeks to limit its credit risk with respect to tenants of its investment properties by monitoring outstanding receivables. The Group limits credit risk with regard to its bank balances by only dealing with reputable banks.

The Group's maximum exposure to credit risk is limited to the carrying amounts of financial assets recognised at the reporting date, as summarised below:

	2020 ***KD***	*2019* *KD*
Cash and cash equivalents (excluding cash in hand)	**785,398**	730,690
Trade and other receivable (excluding prepaid expenses and advance payments to contractors)	**9,479,689**	12,976,051
	10,265,087	13,706,741

With respect to credit risk arising from the other financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The following table details the risk profile of trade and other receivables based on the Group's provision risk matrix. As the Group's historical credit loss experience does not show significantly different loss patterns from different customers segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer bases.

	31 December 2020			31 December 2019		
Aging brackets of trade and other receivables	**Estimated total gross carrying amount at default KD**	**Expected credit loss rate %**	**Lifetime ECL KD**	Estimated total gross carrying amount at default KD	Expected credit loss rate %	Lifetime ECL KD
Up to 30 days	**1,970,210**	**4%**	**74,887**	5,127,552	2%	98,868
31 to 90 days	**88,717**	**11%**	**9,473**	249,114	14%	34,271
Above 90 days	**12,409,689**	**40%**	**4,904,567**	12,114,573	36%	4,382,049
	14,468,616		**4,988,927**	17,491,239		4,515,188

ECL allowance of the receivables other than cash and bank balances are collectively assessed.

24 RISK MANAGEMENT (continued)

24.1 Credit risk (continued)

Maximum exposure to credit risk
The Group's exposure to credit risk from bank balances, cash with a portfolio manager, fixed deposits and accounts receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position:

24.2 Liquidity risk
Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents, and readily marketable securities.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The table below summarizes the maturity profile of the Group's undiscounted financial liabilities as at 31 December based on contractual undiscounted repayment obligations:

	Within One Year KD	*From One to two years KD*	*From Two to five years KD*	*More than five years KD*	*Total KD*
2020					
Loans and bank facilities	**89,457,365**	**850,396**	**1,376,998**	**4,755,622**	**96,440,381**
Accounts payables and accruals	**7,864,159**	**-**	**-**	**-**	**7,864,159**
Total	**97,321,524**	**850,396**	**1,376,998**	**4,755,622**	**104,304,540**
2019					
Loans and bank facilities	20,333,181	3,804,316	66,862,278	-	90,999,775
Accounts payables and accruals	11,364,013	-	-	-	11,364,013
Total	31,697,194	3,804,316	66,862,278	-	102,363,788

The Group is currently preparing detailed studies to set the plans required to provide the liquidity needed to fulfil its financial liabilities.

24.3 Market risk
Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

24 RISK MANAGEMENT (continued)

24.3 Market risk (continued)

24.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on its term loan.

The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant:

	Increase in basis points	*Effect on results for the year before taxes KD*
2020	**+100**	**(931,649)**
2019	+100	(858,858)

24.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rates movements. The Group does not engage in foreign exchange trading and does not use derivative financial instruments. Where necessary matches currency exposures inherent in certain assets with liabilities in the same or a correlated currency.

The Group had the following significant exposures denominated in foreign currencies as of 31 December:

	2020 KD	*2019 KD*
AED	**9,953,868**	9,533,116
EGP	**1,166,465**	1,109,080
USD	**1,904,744**	1,909,485

The following table demonstrates the sensitivity to a reasonably possible change in the AED, EGP and USD exchange rate against Kuwaiti dinar, with all other variables held constant, on the Group's loss and other comprehensive loss.

	2020			2019		
Currency	***Change in currency rate %***	***Effect on loss KD***	***Effect on equity KD***	*Change in currency rate %*	*Effect on loss KD*	*Effect on equity KD*
AED	**5%**	**497,693**	**-**	5%	476,656	-
EGP	**5%**	**-**	**58,323**	5%	-	55,454
USD	**5%**	**-**	**95,237**	5%	-	95,474

24 RISK MANAGEMENT (continued)

24.3 Market risk (continued)

24.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity financial assets. Equity price risk is managed by the management of the Group. The quoted equity price risk exposure arises from the Group's financial assets at fair value through other comprehensive income.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets at fair value through other comprehensive income) on due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	31 December 2020		*31 December 2019*	
Market indices	***Change in equity price %***	***Effect on other comprehensive loss KD***	*Change in equity price %*	*Effect on other comprehensive loss KD*
Kuwait	±5	**313,872**	±5	397,809
Others	±5	**95,237**	±5	95,474

25 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

Capital comprises share capital, share premium, treasury shares, statutory reserve, voluntary reserve, other reserve and accumulated losses.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt The Group includes within net debt, loans and bank facilities, trade and other payable, less cash and cash equivalents. Total equity includes share capital, share premium, treasury shares, statutory reserve, voluntary reserve, other reserves and accumulated losses.

The Group monitors capital on the basis of the gearing ratio and is calculated as net debt divided by sum of net debt and equity as follows:

	31 December 2020 KD	*31 December 2019 KD*
Loans and banks facilities (Note 15)	**93,164,856**	85,885,777
Trade and other payables (Note 16)	**7,864,159**	11,364,013
Less: cash and cash equivalents (Note 9)	**(798,981)**	(744,707)
Net debt	**100,230,034**	96,505,083
Total equity	**52,642,025**	57,966,865
Total equity and net debt	**152,872,059**	154,471,948
Gearing ratio (%)	**66%**	62%

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities as defined in Note 3.5.

For financial assets and financial liabilities that are liquid or having a short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to variable rate financial instruments.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

31 December 2020	***Level 1 KD***	***Level 3 KD***	***Total KD***
Financial assets at fair value through other comprehensive income:			
Quoted securities	**8,182,192**	**-**	**8,182,192**
Unquoted securities	**-**	**1,059,299**	**1,059,299**
	8,182,192	**1,059,299**	**9,241,491**

31 December 2019	*Level 1 KD*	*Level 3 KD*	*Total KD*
Financial assets at fair value through other comprehensive income:			
Quoted securities	9,865,674	-	9,865,674
Unquoted securities	-	1,253,613	1,253,613
	9,865,674	1,253,613	11,119,287

During the year ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The movement in Level 3 fair value hierarchy during the year is given below:

	As at 1 January KD	***Unrealised (loss) gain recorded in equity KD***	***As at 31 December KD***
2020	**1,253,613**	**(194,314)**	**1,059,299**
2019	937,334	316,279	1,253,613

27 IMPACT OF COVID-19

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group, in light of the available guidance of IFRS, and incorporated the outcome in these consolidated financial statements and explained the changes below related to the expected credit loss methodology and valuation estimates and judgements as at and for the year ended 31 December 2020:

Critical judgements and estimates
The preparation of the consolidated financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these consolidated financial statements, significant judgement is exercised by management in applying the Group's accounting policies.

The impact of the COVID - 19 outbreak on the Group is detailed below:

Expected credit loss on financial assets measured at amortized cost
The Group has updated the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 31 December 2020. Revised ECLs were estimated based on a range of forecasted economic conditions at the reporting date and considering the fact that situation is fast evolving, the Group has also considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. These are reviewed and monitored for appropriateness on a quarterly basis.

Fair value measurement of financial instruments
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 26. Management has performed fair value studies for the unquoted shares. This valuation resulted in decline in fair value of unquoted shares of KD 194,314 included other comprehensive income for the year ended 31 December 2020.

Investment properties, property, plant and equipment and investment in associates ("non-financial assets")
As at the reporting date, the Group has identified a significant impact on the carrying values of its non-financial assets as at 31 December 2020 due to the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2019. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

Going concern assessment
There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and tenants demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of tenants demand, along with management's proposed responses over the course of the year. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been prepared on a going concern basis.