Al Madar Finance and Investment Company K.S.C. (Public)
and its subsidiaries
State of Kuwait

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

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For the year ended 31 December 2020

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES
STATE OF KUWAIT

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Al Madar Finance and Investment Company K.S.C. (Public) ("the Parent Company") and its subsidiaries, ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements including a summary of significant accounting policies.

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

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, accordingly, we do not provide a separate opinion on these matters. Below is a breakdown of how we addressed each of these key audit matters.

Our performed audit procedures included the following procedures, among other matters:

Valuation of investment properties	How our audit addressed the matter
The Group's investment properties represent significant part of the total assets that are recorded at fair value as at 31 December 2020 determined by external real estate independent valuers. Determination of fair value of investment properties mainly depends on estimates and assumptions such as market knowledge and average market price of similar properties. Disclosures related to assumptions and estimates and policy of investment properties recognition and measurement are presented in accounting policies section in the notes to the consolidated financial statements. Due to size and complexity of estimates and assumptions used in performing audit on investment properties, and importance of the disclosures related to such estimates and assumptions used in valuation, we determined this matter as a key audit matter.	Our performed audit procedures included verifying assumptions and estimates made by the Group's management, and appropriateness of relevant data supporting valuations of the external valuers. Such procedures included, as appropriate, comparing judgments made concerning current and emerging practices, and verifying the valuations. We further reviewed the valuation reports issued by the licensed external valuers. Moreover, we valuated appropriateness of disclosures related to assumptions sensitivity in Note 13 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES (CONTINUED)
STATE OF KUWAIT

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

Key Audit Matters (continued)

Trade receivables	How our audit addressed the matter
The Group's trade receivables are considered to be a key audit matter for the Group. Due to the nature of the significant judgments associated with the calculation of expected credit losses, the assessment of the expected credit losses is a key element. Our main focus is to determine the amounts recoverable from trade receivable, as the determination of the amounts recoverable of certain trade receivables may involve making significant estimates based on several assumptions.	Our performed audit procedures included examining samples from trade receivables balances together with the following procedures: • Reviewing the compliance with the Group's credit and collection policies and inquiring whether there were changes from previous years. • We have reviewed the ageing for trade receivables. • We have reviewed the form of expected credit losses used by the management to determine the impairment. • We have made test for the inputs used, whether current or historical, and reviewed the assumptions used to calculate the expected credit losses.

Other Information

"Other information" consists of the information included in the Group's annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. We expect that the annual report will be available after the date of auditor's report.

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES (CONTINUED)
STATE OF KUWAIT

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MADAR FINANCE AND INVESTMENT COMPANY K.S.C. (PUBLIC) AND ITS SUBSIDIARIES (CONTINUED)
STATE OF KUWAIT

Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company, the physical count was duly carried out and the consolidated financial statements stated in the report of the Parent Company's board of directors, are in accordance with the Parent Company's books. Also, we have obtained the information and explanations that we deemed necessary for the purpose of our audit, the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended and Law No. 7 of 2010 in respect of the Establishment of Capital Market Authority and the Organization of the Securities Activity and its Executive Regulations, Law No. 32 of 1968, as amended, concerning the Currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related Regulations and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended. To the best of our knowledge, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulations and Law No. 7 of 2010 in respect of the Establishment of Capital Market Authority and the Organization of the Securities Activity and its Executive Regulations, Law No. 32 of 1968, as amended, concerning the Currency, the Central Bank of Kuwait and the Organization of Banking Business, and its related Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2020 that might have had a material effect on the Group's business or its consolidated financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 22 February 2021

Al Madar Finance and Investment Company K.S.C. (Public)
And its Subsidiaries
State of Kuwait

Consolidated Statement of Financial Position
As at 31 December 2020

	Notes	2020 KD	2019 KD
ASSETS			
Cash and bank balances	8	639,580	4,338,781
Financial assets at fair value through profit or loss	9	1,209,091	979,557
Accounts receivable and other debit balances	10	8,606,211	11,948,852
Due from a related party	11	192	316
Financial assets at fair value through other comprehensive income	12	36,194	41,400
Investment properties	13	15,792,444	10,044,359
Investment in an associate	14	460,377	434,369
Property, plant and equipment	15	25,911	28,111
TOTAL ASSETS		26,770,000	27,815,745
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and other credit balances	16	2,399,356	2,409,933
Due to a related party	11	343,162	341,776
Employees' end of service indemnity		391,856	367,219
TOTAL LIABILITIES		3,134,374	3,118,928
EQUITY			
Share capital	17	21,386,865	21,386,865
Statutory reserve	18	134,383	127,140
Share premium		4,990,296	4,990,296
Treasury shares	20	(4,573,296)	(4,573,296)
Change of fair value reserve for financial assets at fair value through other comprehensive income		-	(4,600)
Foreign currency translation reserve		(72,030)	(61,086)
Other reserve		(122,147)	(122,147)
Proposed dividends	28	-	1,035,118
Retained earnings		46,303	50,633
Total equity attributable to shareholders of the Parent Company		21,790,374	22,828,923
Non-controlling interests		1,845,252	1,867,894
TOTAL EQUITY		23,635,626	24,696,817
TOTAL LIABILITIES AND EQUITY		26,770,000	27,815,745

The accompanying notes on pages 10 to 48 form an integral part of these consolidated financial statements.

Waleed Abdulraheem Al-Asfour
Chairman

Al Madar Finance and Investment Company K.S.C. (Public)
And its Subsidiaries
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Consolidated statement of income
For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
Continued operations			
Revenue			
Net rental income	24	346,556	631,797
Net operating loss	25	(221,377)	(139,835)
Investment services revenues	23	1,234	36,070
Loss from sale of investment properties	13	(50,118)	(304,834)
Realized gains /(losses) on sale of financial assets at fair value through profit or loss		271,608	(42,091)
Change in fair value of financial assets at fair value through profit or loss		(110,754)	(79,153)
Cash dividends		203,493	20,288
Write back of provision for expected credit losses	10	60,464	563,968
Realized gain from settlement of Wakala payables		-	114,020
Change in fair value of investment properties	13	442,335	(204,408)
Group's share in business results of an associate		59,233	59,604
Other income		31,319	2,059,620
Total revenue		1,033,993	2,715,046
Expenses and other charges			
General and administrative expenses	21	(888,813)	(1,485,889)
Provision for expected credit losses	10	(72,750)	(143,748)
Impairment of financial assets at fair value through profit or loss		-	(41,147)
Finance costs		-	(141,416)
Total expenses and other charges		(961,563)	(1,812,200)
Profit for the year from continuing operations before National Labour Support Tax (NLST), Zakat, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and Directors' remuneration		72,430	902,846
National Labour Support Tax		-	(13,188)
Zakat		(278)	(6,868)
Contribution to Kuwait Foundation for the Advancement of Sciences		(646)	(13,456)
Board of directors' remuneration	28	-	(25,000)
Profit for the year from continuing operations		71,506	844,334
Discontinued operations			
Profit for the year from discontinued operations		-	592,359
Net profit for the year		71,506	1,436,693
Attributable to:			
The Parent Company's Shareholders		7,352	1,386,287
Non-controlling interests		64,154	50,406
Net profit for the year		71,506	1,436,693
Basic and diluted earnings per share for the year from the continuing and discontinued operations attributable to the shareholders of the Parent Company (fils)	22	0.04	6.70
Basic and diluted earnings per share for the year from the continuing operations attributable to the shareholders of the Parent Company (fils)	22	0.04	3.83
Basic and diluted earnings per share for the year from the discontinued operations attributable to the Shareholders of the Parent Company (fils)	22	-	2.86

The accompanying notes on pages 10 to 48 form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company K.S.C. (Public)
And its subsidiaries
State of Kuwait

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

	2020	2019
	KD	KD
Net profit for the year	71,506	1,436,693
Other comprehensive income items:		
Items that may be reclassified subsequently to the consolidated statement of income:		
Foreign currency translation reserve	(10,944)	47,385
Items that will not reclassified subsequently to the consolidated statement of income:		
Change in fair value of financial assets at fair value through other comprehensive income	161	(5,562)
Total other comprehensive (loss)/ income	(10,783)	41,823
Total comprehensive income for the year	60,723	1,478,516
Attributable to:		
The Parent Company's Shareholders	(3,431)	1,428,110
Non-controlling interests	64,154	50,406
	60,723	1,478,516

The accompanying notes on pages 10 to 48 form an integral part of these consolidated financial statements.

Al Madar Finance and Investment Company K.S.C. (Public)
And its Subsidiaries
State of Kuwait

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

	Share capital KD	Statutory reserve KD	Share premium KD	Treasury shares KD	Change of fair value reserve for financial assets at fair value through other comprehensive income KD	Foreign currency translation reserve KD	Other reserve KD	Proposed dividends KD	Retained earnings KD	Total equity attributable to shareholders of the Parent Company KD	Non-controlling interests KD	Total equity KD
At 1 January 2019	21,386,865	-	4,990,296	(4,573,296)	962	(108,471)	(122,147)	-	(173,396)	21,400,813	1,832,272	23,233,085
Net profit for the year	-	-	-	-	-	-	-	-	1,386,287	1,386,287	50,406	1,436,693
Other comprehensive (loss) / income for the year	-	-	-	-	(5,562)	47,385	-	-	-	41,823	-	41,823
Total comprehensive (loss) / income for the year	-	-	-	-	(5,562)	47,385	-	-	1,386,287	1,428,110	50,406	1,478,516
Transfer to reserve	-	127,140	-	-	-	-	-	-	(127,140)	-	-	-
Proposed dividends (Note 28)	-	-	-	-	-	-	-	1,035,118	(1,035,118)	-	-	-
Effect of disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,784)	(14,784)
At 31 December 2019	21,386,865	127,140	4,990,296	(4,573,296)	(4,600)	(61,086)	(122,147)	1,035,118	50,633	22,828,923	1,867,894	24,696,817
At 1 January 2020	21,386,865	127,140	4,990,296	(4,573,296)	(4,600)	(61,086)	(122,147)	1,035,118	50,633	22,828,923	1,867,894	24,696,817
Net profit for the year	-	-	-	-	-	-	-	-	7,352	7,352	64,154	71,506
Other comprehensive income / (loss) for the year	-	-	-	-	161	(10,944)	-	-	-	(10,783)	-	(10,783)
Total comprehensive income / (loss) for the year	-	-	-	-	161	(10,944)	-	-	7,352	(3,431)	64,154	60,723
Transfer to reserve	-	7,243	-	-	-	-	-	-	(7,243)	-	-	-
Dividends (Note 28)	-	-	-	-	-	-	-	(1,035,118)	-	(1,035,118)	-	(1,035,118)
Derecognition of change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	4,439	-	-	-	(4,439)	-	-	-
Impact of change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(86,796)	(86,796)
At 31 December 2020	21,386,865	134,383	4,990,296	(4,573,296)	-	(72,030)	(122,147)	-	46,303	21,790,374	1,845,252	23,635,626

The accompanying notes on pages 10 to 48 form an integral part of these consolidated financial statements.

	Notes	2020	2019
		KD	KD
OPERATING ACTIVITIES			
Net profit for the year		71,506	1,436,693
Adjustments:			
Depreciation and amortization		2,200	60,883
Finance costs		-	141,416
Change in fair value of financial assets at fair value through profit or loss		110,754	79,153
Realized (profit) / loss on sale of financial assets at fair value through profit or loss		(271,608)	42,091
Loss from sale of investment properties	13	50,118	304,834
Cash dividends		(203,493)	(20,288)
Change in fair value of investment properties	13	(442,335)	204,408
Gains on disposal of investment in subsidiaries		-	(240,799)
Provision for expected credit losses	10	72,750	143,748
Write back of provision for expected credit losses	10	(60,464)	(563,968)
Group's share in business results of an associate	14	(59,233)	(59,604)
Realized gain from settlement of Wakala payables		-	(114,020)
Impairment of financial assets at fair value through profit or loss		-	41,147
Employees' end of service indemnity		33,728	143,443
(Loss) / profit before calculating effect of change in working capital items		(696,077)	1,599,137
Accounts receivable and other debit balances		2,672,255	778,084
Due from / to related party – net		1,510	18,054
Accounts payable and other credit balances		(14,488)	(114,241)
Net cash generated from operations		1,963,200	2,281,034
Employees end of service benefits paid		(9,091)	(308,037)
Net cash generated from operating activities		1,954,109	1,972,997
INVESTING ACTIVITIES			
Paid for purchase of investment properties		(11,798,378)	(3,885,000)
Cash dividends received		203,493	-
Proceeds from disposal of subsidiaries - accounts receivable and other debit balances		7,000,000	240,000
Proceeds from sale of investment properties - accounts receivable and other debit balances		64,630	11,599,716
Proceeds from sale of financial assets at fair value through other comprehensive income		5,367	-
Proceeds on sale of financial assets at fair value through profit or loss		15,364,952	10,502,554
Payment for purchase of financial assets at fair value through profit or loss		(15,433,632)	(11,513,236)
Paid for purchase of property, plant and equipment	15	-	(5,286)
Proceeds on sale of investment properties		40,000	-
Paid for purchase of investment in an associate	14	-	(87,083)
Dividends received from an associate	14	22,172	13,277
Net cash (used in) /generated from investing activities		(4,531,396)	6,864,942
FINANCING ACTIVITIES			
Net movement in Ijara payables		-	(2,325,673)
Net movement in Wakala receivables		-	(3,977,746)
Cash dividends paid	28	(1,035,118)	-
Finance costs paid		-	(141,416)
Effect of change in non-controlling interests		(86,796)	12,192
Net cash used in financing activities		(1,121,914)	(6,432,643)
Net (decrease) / increase in cash and bank balances		(3,699,201)	2,405,296
Decrease in cash and bank balances from sale of subsidiaries		-	(333,360)
Cash and bank balances at the beginning of the year		4,338,781	2,266,845
Cash and bank balances at the end of the year	8	639,580	4,338,781

The Group has the following non-cash activities during the year, which is not reflected in the consolidated statement of cash flows.

Non-cash transactions	2020	2019
	KD	KD
Accounts receivable and other debit balances	6,381,900	-

The accompanying notes on pages 10 to 48 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Al Madar Finance and Investment Company K.S.C. (Public) ("the Parent Company") was incorporated on 23 November 1998. The Parent Company is registered with the Central Bank of Kuwait and Capital Markets Authority as an investment company. It is listed in Boursa Kuwait on 20 June 2005.

The Parent Company is principally engaged in the following activities in compliance with the Islamic Sharia as follows:

- Promoting and marketing shares and bonds of all types for the favor of the Company according to Islamic Shari'a.
- Investment in all types of movables whether for its own favor or for others by way of agency or brokerage except for the Company's trading in commodities for its favor.
- Lending, borrowing and financing international trading transactions as well as issue and exchange of Islamic bonds of all kinds and forms for its clients.
- Portfolio management as per relevant laws and according to Islamic Shari'a.
- Purchase, lease, acquisition, rent, licensing of all kinds of investment equipment and subsequent sale or disposal thereof.
- Carry out real estate investments for the Parent Company's account or for third parties.
- Providing research and studies and other technical services related to investment and employing funds for others.
- Establishing and managing investment funds as per relevant laws and regulations and after approval of concerned parties.

The Parent Company may have interests or participate in any suitable way with entities that engage in similar business activities or that may help the Company achieve its objectives inside the State of Kuwait or abroad. It may also incorporate, purchase or affiliate such entities.

The Parent Company is domiciled in Kuwait and its registered office is P.O. Box 1376, Safat 13014, Kuwait.

The Parent Company is subsidiary to Al Thekair General Trading and Contracting Company W.L.L. ("the Ultimate Parent Company").

The consolidated financial statements of Al Madar Finance and Investment Company K.S.C. (Public) and its subsidiaries ("the Group") for the year ended 31 December 2020 were authorized for issue by the Parent Company's Board of Directors on 22 February 2021. They are subject to the approval of the Shareholders' annual General assembly. The Parent Company's shareholders have the power to amend these consolidated financial statements at the Shareholders' annual General Assembly.

2. BASIS OF PREPARATION

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

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

3. STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and the IFRS interpretations Committee applicable to companies reporting under IFRS as issued by the International Accounting Standards Board ("IASB"), and applicable requirements of the Companies Law.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. Significant accounting judgments and key sources of estimation uncertainty made in preparing the consolidated financial statements and their effect are disclosed in Note 6.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS")

a) New standards and amendments effective from 1 January 2020

New standards impacting the Group that have been adopted in the annual consolidated financial statements for the year ended 31 December 2020 are as follows:

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.

Amendments to IFRS 3: Definition of a Business
Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The amendment to IFRS 3 Business Combinations 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 clarifies 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 the future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9, IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (CONTINUED)

a) New standards and amendments effective from 1 January 2020 (Continued)

Amendments to IFRS 16 Covid-19 Related Rent Concessions
Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) The reduction is lease payments affects only payments originally due on or before 30 June 2021;

c) There are no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset.

By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in the profit or loss in the period in which the event or condition that triggers the rent concession occurs.

This amendment had no impact on the consolidated financial statements of 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. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

This amendment had no impact on the consolidated financial statements of the Group.

b) Standards issued but not 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.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (CONTINUED)

b) Standards issued but not effective (Continued)

IFRS 17: Insurance Contracts
This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

Early application is permitted provided that the Group also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any impact on the Group's consolidated financial statements.

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3: Reference to the Conceptual Framework
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 Financial Statements.

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

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (CONTINUED)

b) Standards issued but not effective (Continued)

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

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

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

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Annual improvements to IFRSs 2018-2020 Cycle
The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the Parent Company, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

These amendments will become effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSS") (CONTINUED)

b) Standards issued but not effective (Continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (continued)
These amendments will become effective for annual periods beginning on or after 1 January 2022, with early application 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.

IFRS 16 Leases: Lease incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1. Basis of consolidation

Subsidiaries
The consolidated financial statements incorporate the financial statements of the Parent Company and entities (including structured entities) controlled by the Parent Company and its subsidiary. Control is achieved when the Parent Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

De-facto control exists in situations where the Parent Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Parent Company considers all relevant facts and circumstances, including:
- The size of the Parent Company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the Parent Company and by other parties
- Other contractual arrangements.
- Historic patterns in voting attendance.

The Parent Company revaluates whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company losses control over the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Parent Company gains control until the date when Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiary is attributed to the Parent Company's owners 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.1. Basis of consolidation (Continued)

Subsidiaries (continued)
All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Changes in the Parent Company's ownership interests in subsidiaries that do not result in the Parent Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Parent Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

When the Parent Company loses control of a subsidiary, a gain or loss is recognised in the statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in the statement of other comprehensive income in relation to that subsidiary are accounted for as if the Parent Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit and loss or transferred to another category of equity as specified/ permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries as follows:

Company's name	Country of Incorporation	Activity	Voting rights and equity interest 2020	2019
* Dar Al-Thuraya Real Estate Co. K.S.C. (Public)	State of Kuwait	Real estate	88.91%	88.35%
Al Madar Real Estate Development Company K.S.C. (Closed)	State of Kuwait	Real estate	98.5%	98.5%
Al Thuraya for Warehousing and Refrigeration Company K.S.C. (Closed)	State of Kuwait	Warehousing	96%	96%

* The consolidated financial statements of Dar Al-Thuraya Real Estate Co. K.S.C. (Public) and its subsidiaries include the following:

Company's name	Country of Incorporation	Activity	Voting rights and equity interest 2020	2019
AL Thuraya Star Company W.L.L.	State of Kuwait	General Trading and Contracting	99%	99%
Kuwait Building Real Estate Company K.S.C. (Closed)	State of Kuwait	Real estate	96%	96%
Golden Madar Real Estate Company W.L.L.	State of Kuwait	Real estate	98%	98%

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.2. Business combinations

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

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

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

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

5.3. Financial instruments

The Group classifies its financial instruments as financial assets and financial liabilities. Financial assets and liabilities are recognized when the Group becomes a party of the contractual provisions of such instruments.

The financial assets and liabilities recognised in the consolidated statement of financial position include cash and bank balances, financial assets at fair value through profit or loss, accounts receivable and other debit balances, due from a related party, financial assets at fair value through other comprehensive income, accounts payable and other credit balances, and due to a related party.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

Financial assets:

Initial recognition, subsequent measurement and derecognition
To determine the classification and measurement category of financial assets, IFRS requires assessment of all financial assets, except for equity instruments and derivatives, based on the Group's business model for managing the Group's assets and the contractual cash flows characteristics of these instruments.

The Group determines its business model at the level that best reflects how it manages its financial assets to achieve its business objectives and in order to generate contractual cash flows. Whether the Group's sole objective is to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of sell business model and measured at fair value through profit or loss. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Purchases and sales of the financial assets are recognized on the trade date i.e. the date on which the Group commits to purchase or sell the asset. The financial assets are initially recognized at fair value plus transaction costs for all financial assets that are not carried at fair value through profit or loss.

Classification of financial assets
Financial assets are classified in the consolidated financial statements into the following categories upon initial recognition:

- Financial assets at amortised cost.
- Financial assets at fair value through profit or loss.
- Financial assets at fair value through other comprehensive income.

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

Financial assets carried at amortised cost
A financial asset is measured at amortised cost if both of the following conditions are met and is not designated at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Profits and losses are recognized in the consolidated statement of income when the asset is derecognised, adjusted or impaired.

The financial assets at amortized cost include cash and bank balances, accounts receivable and other debit balances, and due from a related party.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

Financial assets (continued)

Effective yield rate method
The effective return rate is a method of calculating the amortized cost of a financial asset and of allocating return over the relevant period. The effective yield is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Cash and bank balances
The item includes cash on hand and bank accounts with banks that are exposed to insignificant risks in terms of changes in the value.

Trade receivables and other debit balances
Trade receivables are amounts due from customers for sale of goods or leasing units or rendering services in the ordinary course of business. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective yield rate method, less provision for impairment.

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

Financial assets at fair value through profit or loss
The Group classifies the financial assets as financial assets at fair value through profit or loss when purchased or issued in order to achieve short-term profits through trading activities or when they form a part of a financial instruments portfolio that are managed together, there is an evidence for emerging a new pattern to achieve short-term profits. Assets held for trading are recognized and measured at fair value in the consolidated statement of financial position.

Profits or losses on the change in fair value, profits or losses on sale and dividends are recognized in the consolidated statement of income under the contract conditions or when the right to receive the profits amount is established.

Financial assets at fair value through other comprehensive income
Upon initial recognition, the Group may elect to classify irrevocably some of its equity instruments at fair value through other comprehensive income when they meet the definition of Equity under IAS (32) Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Profits and losses on these equity instruments are never recycled to the consolidated statement of profit or loss. Dividends are recognized in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in the consolidated statement of comprehensive income. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

Financial assets at fair value through other comprehensive income represent equity instrument investments.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3 Financial instruments (Continued)

Financial assets (continued)

Impairment of financial assets
For trade and other receivables, the Group has applied the standard's simplified approach and has calculated the expected credit losses ("ECLs") based on lifetime ECLs. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective yield rate.

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

Financial liabilities

Initial recognition, subsequent measurement and derecognition
All financial liabilities are initially recognized at fair value and in case of loans, borrowings and creditors directly attributable transactions costs are discounted. All financial liabilities are subsequently measured at fair value through profit or loss or at amortised cost using the effective profit rate method.

Initial recognition
Financial liabilities are classified, at initial recognition, within the scope of IAS 9, as financial liabilities at fair value through statement of income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include accounts payable and other credit balances and due to a related party.

Subsequent measurement

Accounts payable and other credit balances
Accounts payable and other credit balances are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognized at fair value and subsequently measured at amortized cost using the effective yield method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.3. Financial instruments (Continued)

Financial liabilities (continued)

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified. Exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

5.4 Investment properties
Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment properties also include property that is being constructed or developed for future use as investment properties.

Investment properties are measured initially at its cost, including related transaction costs and borrowing costs, where required.

Subsequent to initial recognition, investment properties are remeasured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are included in the consolidated statement of income. Investment properties are derecognised when they have been disposed.

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. Gains or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of income.

5.5 Properties under development
Incurred costs are charged to construction or production of capital assets under properties under development till construction or production of these assets is complete, at which time they are reclassified as plant and equipment, investment property, or trading properties. Costs include all direct costs and other costs attributable on reasonable basis.

5.6 Investments in associates
Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investees but is not control or joint control over those policies.

The Group's investment in associates is accounted for under the equity method. This method requires to recognize the Group's share, at the date of the consolidated statement of financial position, at cost plus the Group's share in all subsequent changes of net assets of the associates, less any impairment. The consolidated statement of income reflects the Group's share in the results of operations of the associates.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.6 Investments in associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

All subsequent changes to the Group's share of interest in the equity of the associates are recognised in the carrying amount of the investment. Distributions received from associates reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associates arising from changes resulting from statement of other comprehensive income of the associate or other items recognised directly in the associates' or Group's equities, as applicable.

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

Unrealized gains on transactions with associates are eliminated to the extent of the Group's share in the associates. Unrealized losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognized in prior years no longer exist.

The associates' financial statements are prepared either on the Group's consolidated financial statements date or on an earlier date not longer than three months of the Group's consolidated financial statements date. Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the Group's consolidated financial statements date.

5.7 Property, plant and equipment

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

Depreciation is calculated based on estimated useful life of the applicable assets on a straight line basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Profits or losses on disposals are determined by the difference between net sale proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Works in progress for purposes of production or administrative usage are recorded at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs that are capitalized at assets fulfilling conditions of capitalization of borrowing costs as per the accounting policy of the Group. Such properties are classified within appropriate categories of items of properties, plant and equipment when completed as deemed as ready for use. Depreciation of such assets starts when they are ready for use in the intended purpose, in the same way as other items of property, plant and equipment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.8 Impairment of non-financial assets

At each consolidated financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

5.9 Offsetting 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.

5.10 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued, sold or cancelled. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the treasury shares. Consideration paid or received is directly recognised in equity. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the reserves.

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

5.11 Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.12 Employees' end of service indemnity

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. This liability which is unfunded represents the amount payable to each employee as a result of termination by the Group on the consolidated statement of financial position date.

5.13 Contingent assets and liabilities

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

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

5.14 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 product or service to a customer. The Group follows a 5-step process:

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

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies method of accounting for the additional costs to obtain the contract and the costs that are directly attributable to the contract execution. The standard also requires comprehensive disclosures.

Under IFRS 15, revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group shall transfer control of goods or services over a period of time (and not at a specific time) upon fulfillment of any of the following criteria:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not establish an asset that has an alternative usage to the Entity. The Entity has enforceable right in payments against the completed performance to date.

Group's revenue streams are recognised as follows:

Services income

Revenue from services is recognized as the services are performed and completed for clients.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rental income

Rental income is recognised on a straight line basis in accordance with the substance of the relevant agreements.

Dividend income

Dividend revenues are recognised when the right to receive payment is established.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.15 Foreign exchange translation

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

Transactions and balances
Foreign currency transactions are translated into the functional currency of the Group, using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the consolidated statement of income. Non-monetary items are not retranslated at the period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Group companies
The results and financial position of all the Group entities that have a functional currency different from the presentation currency (except for companies which are operated in countries with very high inflation rates) are translated into the presentation currency as follows:
- Assets and liabilities for each reporting date presented are translated at the closing rate at the consolidated financial statements date.
- Income and expenses for each statement of income are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of the consolidated statement of other comprehensive income.

5.16 Finance costs

Finance costs on borrowings and facilities are calculated on the accrual basis and are recognized in the consolidated statement of income in the period in which they are incurred.

Finance costs directly related to the acquisition, construction or production of qualifying assets as part of the cost of this asset are capitalized. Capitalization of these costs commences when expenses on the asset and finance costs are incurred, and the activities necessary to prepare the asset are under implementation. Capitalization shall be ceased upon the significant completion of all the activities necessary to prepare the qualifying asset for its intended use or sale.

Finance costs that are not directly related to the acquisition, construction or production of qualifying asset as expense are recognized during the period in which they are incurred.

5.17 Taxation

KFAS and Zakat
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS") and Zakat represent levies/taxes imposed on the Parent Company at fixed percentage of profit for the year less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent levies/taxes regulations, no carry forward of losses is permitted and there are no significant differences between the levies/taxes bases of assets and liabilities and their carrying amounts for purposes of the consolidated financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5.17 Taxation (Continued)

KFAS and Zakat

Tax/statutory levy	*Percentage*
Contribution to Kuwait Foundation for the Advancement of Sciences	1% of net profit, less permitted deductions.
Zakat	1% of net profit, less permitted deductions.

National Labour Support Tax

The Group calculates National Labour Support Tax ("NLST") in accordance with the Ministry of Finance resolution No.19 of 2000. NLST is imposed at 2.5% of net profit attributable to Shareholders of the Parent Company, less the permitted deductions.

5.18 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Other lease contracts are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the lease term. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets in the consolidated statement of financial position at the current value estimated for the minimum of amounts paid for lease. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Operating lease payments are recognised as an expense in the consolidated statement of income on a straight-line basis over the lease term.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF THE ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimations and assumptions are based on the management's pervious experiences and other relevant factors. Actual results may vary from these estimations.

The estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recorded in the periods in which the review and adjustment of the estimates are made if the adjustment related to this particular period. Adjustments are recorded in the review period and future periods if these adjustments to estimates will impact the current period and future financial periods.

Significant accounting judgments

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

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Significant accounting judgments (Continued)

Classification of financial instruments
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets as stated in Note No. 5.

Classification of properties
The Group decides on acquisition of a real estate property whether it should be classified as "trading", "property held for development", "investment property" or "property, plant and equipment".

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

The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

The Group classifies properties as properties, plants and equipment if they are purchased to be used in production, services, renting for others or for administrative purposes, and are expected to be used during more than one period.

Useful lives of tangible assets
The Group reviews the estimated useful lives over which its tangible assets are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

Key sources of estimation uncertainty

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

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

Provision for expected credit losses of accounts receivable and other debit balances
The Group uses a provision matrix to calculate ECLs for accounts receivable. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geographical region, services type and customer). The provision matrix is initially based on the Group's historical observed default rates.

6. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Provision for expected credit losses of accounts receivable and other debit balances (continued)
The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information.

For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the investment sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Group's accounts receivable and other debit balances is disclosed in (Note 10).

Valuation of investment properties
The Group records investment properties at fair value where changes in the fair value are recognized in the consolidated statement of income, three basic methods are used for determining the fair value of the investment property:

a) Discounted cash flows method: in this method the successive amounts of expected future cash flows of the asset are used based on the outstanding contracts and rental conditions, and discount the present value by using a discount rate that reflects the risks related to this asset.

b) Income capitalization: through which the property value is estimated based on its resulted income. Such value is calculated based on the net operating income of the property divided by the expected rate of return from the property as per market inputs, which is known as capitalization rate.

c) Comparative analysis: which base on estimations made by an independent real estate valuer by reference to new actual deals done among other parties for similar properties in location and condition and relying on expertise of such independent real estate valuer.

Impairment of investments in an associate
After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in "share of gain in associate" in the consolidated statement of income.

Impairment of tangible assets
The Group reviews tangible assets on a continuous basis to determine whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

7. NON-CONTROLLING INTERESTS

The subsidiaries' non-controlling interests with material ratios for the Group are as follows:

Name of the subsidiary	Country of incorporation	Voting rights and equity interest %		Carrying amount of non-controlling interests in the subsidiary	
		2020	2019	2020	2019
				KD	KD
Dar Al-Thuraya Real Estate Company K.S.C. (Public) ("Dar Al-Thuraya")	State of Kuwait	11.09%	11.65%	1,772,538	1,796,983

Summarized financial statements of the subsidiary ("Dar Al-Thuraya") holding non-controlling interests in a material ratio of the Group before disposal of intra-company transactions:

Dar Al-Thuraya Real Estate Co. K.S.C. (Public)

Summarised consolidated statement of financial position:	2020	2019
	KD	KD
Assets		
Current assets	7,899,373	11,291,557
Non-current assets	9,700,657	4,287,321
Liabilities		
Current liabilities	1,589,624	129,101
Non-current liabilities	27,192	25,034
Equity attributable to the shareholders of Dar Al-Thuraya	15,983,214	15,424,743
Voting rights and equity interest of non-controlling interests in Dar Al-Thuraya	11.09%	11.65%
Carrying value of non-controlling interests	1,772,538	1,796,983

Summarised consolidated statement of profit or loss and other comprehensive income:

	2020	2019
	KD	KD
Income	1,072,362	1,270,873
Expenses	(513,891)	(718,159)
Profit for the year attributable to the shareholders of Dar Al-Thuraya	558,471	552,714
Other comprehensive income attributable to the shareholders of Dar Al-Thuraya	-	705
Total comprehensive income attributable to the shareholders of Dar Al-Thuraya	557,542	556,436
Profit / (loss) related to non-controlling interests	929	(3,017)

7. NON-CONTROLLING INTERESTS (CONTINUED)

Summarized consolidated statement of cash flows:

	2020 KD	2019 KD
Net cash from / (used in) operating activities	4,520,443	(10,026,526)
Net cash (used in) / from investing activities	(4,944,554)	10,752,000
Net cash used in financing activities	-	(1,896,120)
Net decrease in cash and bank balances	(424,111)	(1,170,646)
Cash and bank balances at the beginning of the year	569,542	1,993,144
Decrease in cash and bank balances from sale of subsidiaries	-	(252,956)
Cash and bank balances at the end of the year	145,431	569,542

Total non-controlling interests of other subsidiaries is immaterial for the Group.

8. CASH AND BANK BALANCES

	2020 KD	2019 KD
Bank balances	639,078	4,335,308
Cash on hand	502	3,473
	639,580	4,338,781

The annual average effective return rate on savings accounts was 0.3% as at 31 December 2020 (2019: 0.75%).

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 KD	2019 KD
Investment in quoted local shares	1,202,591	961,818
Investment in unquoted local shares	6,500	17,739
	1,209,091	979,557

Valuation techniques of the investments at fair value through profit or loss are disclosed in Note 29.

10. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES

	2020 KD	2019 KD
Trade receivables	1,766,601	1,783,252
Less: provision for expected credit losses	(1,732,998)	(1,749,649)
	33,603	33,603
Receivables from sale of financial and real estate investments and services	6,440,512	2,665,140
Due from sale of subsidiary	-	7,000,000
Accrued rentals	-	83,387
Staff receivables	2,964	5,863
Prepaid expenses	1,249,720	1,344,894
Due from financial institutions	403,223	492,408
Other receivables	476,189	323,557
	8,606,211	11,948,852

10. ACCOUNTS RECEIVABLE AND OTHER DEBIT BALANCES (CONTINUED)

- Accrued rentals item has been presented after deducting the expected credit loss provision of KD 700,418 as at 31 December 2020 representing provisions recorded in subsidiaries (2019: KD 764,444).

- Receivables from sale of financial and real estate investments and services item has been presented after deducting the expected credit loss provision of KD 11,075 as at 31 December 2020 (2019: KD 54,888).

- Other receivables item has been presented after deducting the expected credit loss provision of KD 17,001 as at 31 December 2020 (2019: KD 17,001).

The maximum exposure to credit risks at reporting date is the fair value of each class of receivables. The Group holds guarantees of KD 33,603 for trade receivables as at 31 December 2020 (2019: KD 33,603).

Disclosures relating to the credit risk exposures and analysis relating to the provision for expected credit losses are set forth in Note 30.

Analysis of provision for expected credit loss during the year is as follows:

	2020 KD	2019 KD
Balance at 1 January	2,585,982	3,823,812
Charged during the year	72,750	143,748
Write back provision for expected credit losses	(60,464)	(563,968)
Provision written-off (a)	(136,776)	(385,304)
Related to disposal of subsidiaries	-	(432,306)
	2,461,492	2,585,982

a) During the financial year ended 31 December 2020, the subsidiaries' Board of Directors approved on 27 December 2020, to write-off the provisions relating to accrued rentals, since the legal procedures have been completed and it has been determined that the balances are not collectible.

11. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise of the Group's shareholders who are members of the Board of Directors, key management personnel, and subsidiaries in which the Parent Company has representatives in their board. In the normal course of business, subject to approval of the Group's management, transactions were made with such parties during the year ended 31 December. Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note.

Due from / to a related party and related party transactions are as follows:

	2020 KD	2019 KD
Consolidated statement of financial position:		
Due from a related party	192	316
Due to a related party	343,162	341,776

11. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

	2020	2019
	KD	KD
Consolidated statement of income:		
Salaries and other short term benefits	163,890	216,518
End of service benefits	12,685	18,202
	176,575	234,720

The amount due from / to a related party is non-interest bearing and is receivable on demand.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	KD	KD
Investment in quoted local shares	-	2,314
Investment in unquoted local shares	-	2,892
Investment in unquoted foreign shares	36,194	36,194
	36,194	41,400

Financial assets at fair value through other comprehensive income include unquoted foreign shares at an actual cost of KD 3,698,839 (2019: KD 3,698,839) brought forward from 2009. Since these investments are the subject of a legal dispute, the management decided to reduce the cost of these investments in full in the previous years until they are finally resolved.

Valuation techniques of the financial assets at fair value through other comprehensive income are disclosed in Note 29.

13. INVESTMENT PROPERTIES

	2020	2019
	KD	KD
Investment properties		
Balance at beginning of the year	7,460,604	23,142,848
Additions	2,496,900	3,885,000
Disposals	(6,381,900)	(13,928,000)
Change in fair value	-	(41,293)
Foreign currency translation differences	2,361	(2,951)
Impact of disposal of a subsidiary	-	(5,595,000)
Balance at end of the year	3,577,965	7,460,604
Properties under development		
Balance at beginning of the year	2,583,755	3,351,567
Additions (a)	9,301,478	-
Disposals	(114,748)	(602,549)
Change in fair value	442,335	(163,115)
Foreign currency translation differences	1,659	(2,148)
Balance at end of the year	12,214,479	2,583,755
Balance at end of the year	15,792,444	10,044,359

13. INVESTMENT PROPERTIES (CONTINUED)

During the year ended 31 December 2020, the Group sold investment properties at carrying amount of KD 6,496,648 (2019: KD 14,530,549) at an amount of KD 6,446,530 (2019: KD 14,225,715) This transaction has resulted in a loss of KD 50,118 (2019: 304,834) that was recognized in the consolidated statement of income.

(a) Additions include an amount of KD 9,257,665 representing the value of a land plot in the State of Kuwait that is purchased by a subsidiary from a related party during the financial year ended 31 December 2020.

As at 31 December 2020, there was an investment property of KD 2,326,625 in the name of a related party "Al Thekair General Trading and Contracting Company W.L.L.". The related party confirmed that "Al Madar Real Estate Development Company K.S.C. (Closed)" (the Group's subsidiary) is the beneficial owner of the property based on a letter of waiver as of the consolidated financial statements date.

The fair value of the Group's investment properties as at 31 December 2020 has been arrived at on the basis of a valuation carried out on the respective dates by two independent valuers, one of them is a local bank not related to the Group and the management has adopted the lower valuation. The fair value was determined under level 2 based on the market comparable approach that reflects recent transaction priced for similar properties (Note 29). In estimating the fair value of the properties, the highest and best use of the properties is their current use.

On 28 December 2020, the Group sold investment properties at its carrying amount of KD 6,381,900. No gain or loss has resulted as a result of this sale.

Valuation techniques of investment properties are disclosed in Note 29.

14. INVESTMENT IN AN ASSOCIATE

Details of investment in the associate are as follows:

Name of associate	Country of incorporation	Measurement method	Activity	Voting rights and equity interest % 2020	Voting rights and equity interest % 2019
Egyptian Saudi Company for Medical Equipment MASCOMED (S.A.E)	The Arab Republic of Egypt	Equity method	Medical devices and equipment	41.95%	41.95%

Name of associate	2020	2019
	KD	KD
Egyptian Saudi Company for Medical Equipment MASCOMED (S.A.E)	460,377	434,369

14. INVESTMENT IN AN ASSOCIATE (CONTINUED)

Movement on investment in an associate during the year is as follows:

	2020 KD	2019 KD
At 1 January	434,369	253,425
*Additions during the year	-	87,083
Share of results of associates	59,233	59,604
Foreign currency translation differences	(11,053)	47,534
Dividends	(22,172)	(13,277)
At 31 December	460,377	434,369

* On 25 September 2019, the Group increased its share in the associate by 11.69% through purchase of 584,519 shares of total amount KD 87,083. This increase did not result in any significant goodwill.

The summarized information relating to the associate is as follows:

Associate's financial position:

	2020 KD	2019 KD
Total assets	1,917,630	1,820,746
Total liabilities	(820,187)	(785,302)
Net assets	1,097,443	1,035,444
The Group's share of associate's net assets	41.95%	41.95%
Carrying value	460,377	434,369

Associate's revenues and results:

	2020 KD	2019 KD
Income	1,714,117	2,122,264
Expenses and other charges	(1,572,917)	(1,952,936)
Profit	141,200	169,328
The Group's share in associate's results	59,233	59,604

During the year ended 31 December 2020, the associate "Egyptian Saudi Company for Medical Equipment (S.A.E.)" distributed cash dividends at 11% of the nominal value of the share (2019: 10%) in a total amount of KD 22,172 (2019: KD 13,277) in accordance with the Associate's General Assembly' decision.

15. PROPERTY, PLANT AND EQUIPMENT

	Right of utilization	Buildings	Containers	Vehicles	Equipment	Total
	KD	KD	KD	KD	KD	KD
Cost						
At 1 January 2019	150	70,308	371,106	90,305	935,251	1,467,120
Additions	-	-	-	-	5,286	5,286
Related to disposals of subsidiaries	(150)	(70,308)	(371,106)	(90,305)	(206,585)	(738,454)
At 31 December 2019	-	-	-	-	733,952	733,952
At 1 January and 31 December 2020	-	-	-	-	733,952	733,952
Accumulated Depreciation						
At 1 January 2019	-	20,142	172,624	51,140	891,217	1,135,123
Charged during the year	-	3,200	15,203	4,200	14,533	37,136
Related to disposals of subsidiaries	-	(23,342)	(187,827)	(55,340)	(199,909)	(466,418)
At 31 December 2019	-	-	-	-	705,841	705,841
At 1 January 2020	-	-	-	-	705,841	705,841
Charged during the year	-	-	-	-	2,200	2,200
At 31 December 2020	-	-	-	-	708,041	708,041
Net carrying value						
At 31 December 2020	-	-	-	-	25,911	25,911
At 31 December 2019	-	-	-	-	28,111	28,111

16. ACCOUNTS PAYABLE AND OTHER CREDIT BALANCES

	2020	2019
	KD	KD
Trade payables	8,724	8,293
Accrued expenses	181,340	145,524
Purchase of investment properties payable	-	45,000
Provision for employees leave	51,457	51,206
National Labour Support Tax	302,422	304,540
Zakat	122,839	124,683
Contribution to Kuwait Foundation for the Advancement of Sciences	646	13,456
Other payables	1,731,928	1,717,231
	2,399,356	2,409,933

17. SHARE CAPITAL

The Parent Company's authorized, issued, and fully paid up share capital is KD 21,386,865 (2019: KD 21,386,865) divided into 213,868,650 shares (2019: 213,868,650), each of 100 fils. All shares are cash shares.

18. STATUTORY RESERVE

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the net profit before calculation of NLST, Zakat, the contribution to KFAS and Board of Directors' remuneration is transferred to the statutory reserve. Such transfer may be discontinued when the reserve balance exceeds 50% of the share capital. Statutory reserve is not available for distribution except as stipulated by law.

19. VOLUNTARY RESERVE

In accordance with the Parent Company's Articles of Association, 10% of the net profit for the year, before calculation of NLST, Zakat, the contribution to KFAS and Board of Directors' remuneration, is to be transferred to the voluntary reserve under a proposal by the board of directors and approval of the Shareholders' General Assembly. There is no transfer to the reserve during the year as per the Board of Directors decision on 19 February 2020 issued to discontinue the transfer.

20. TREASURY SHARES

	2020	2019
Number of shares purchased (No's)	6,845,096	6,845,096
Ownership percentage (treasury shares percentage to total issued shares)	3.2%	3.2%
Cost (KD)	4,573,296	4,573,296
Market value (KD)	622,903	610,583

The Parent Company is committed to keeping reserves and capital share premium equal to the purchased treasury shares cost which are non-distributable along acquisition period by the Parent Company in accordance with instructions of the concerned regulatory authorities.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2020 KD	2019 KD
Staff costs	487,370	752,613
Depreciation and amortization	2,200	1,706
Other	399,243	731,570
	888,813	1,485,889

22. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share is computed by dividing net profit for the year attributable to the Parent Company's shareholders by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
Net profit for the year from the continuing and discontinued operations attributable to the Shareholders of the Parent Company (KD)	7,352	1,386,287
Profit for the year from the continuing operations attributable to the Shareholders of the Parent Company (KD)	7,352	793,928
Profit for the year from the discontinued operations attributable to the Shareholders of the Parent Company (KD)	-	592,359
Weighted average number of shares outstanding:		
Number of issued shares (share)	213,868,650	213,868,650
Less: Weighted average number of treasury shares (shares)	(6,845,096)	(6,845,096)
Weighted average number of outstanding shares	207,023,554	207,023,554
Basic and diluted earnings per share for the year from the continued and discontinued operations attributable to the shareholders of the Parent Company (fils)	0.04	6.70
Basic and diluted earnings per share for the year from the continuing operations attributable to the shareholders of the Parent Company (fils)	0.04	3.83
Basic and diluted earnings per share for the year from the discontinued operations attributable to the Shareholders of the Parent Company (fils)	-	2.86

23. REVENUE

	31 December 2020			
	Real estates	**Financial assets**	**Other**	**Total**
	KD	KD	KD	KD
Operating income (Note 25)	-	-	165,451	165,451
Investment services revenues	-	1,234	-	1,234
Total revenues from contracts with customers	-	**1,234**	**165,451**	**166,685**
Rental income (Note 24)	439,688	-	-	439,688
Other income	442,335	534,334	91,783	1,068,452
Total income	**882,023**	**535,568**	**257,234**	**1,674,825**
Geographical markets				
State of Kuwait	-	1,234	165,451	166,685
Total revenues from contracts with customers	-	**1,234**	**165,451**	**166,685**
Timing of revenue recognition				
Services rendered at a point in time	-	1,234	165,451	166,685
Total revenues from contracts with customers	-	**1,234**	**165,451**	**166,685**

	31 December 2019			
	Real estates	**Financial assets**	**Other**	**Total**
	KD	KD	KD	KD
Operating income (Note 25)	-	-	420,600	420,600
Investment services revenues	-	36,070	-	36,070
Total revenues from contracts with customers	-	**36,070**	**420,600**	**456,670**
Rental income (Note 24)	864,847	-	-	864,847
Other income	-	79,892	4,162,090	4,241,982
Total income	**864,847**	**115,962**	**4,582,690**	**5,563,499**
Geographical markets				
State of Kuwait	-	36,070	420,600	456,670
Total revenues from contracts with customers	-	**36,070**	**420,600**	**456,670**
Timing of revenue recognition				
Services rendered at a point in time	-	36,070	420,600	456,670
Total revenues from contracts with customers	-	**36,070**	**420,600**	**456,670**

24. NET RENTAL INCOME

	2020	2019
	KD	KD
Rental income (Note 23)	439,688	864,847
Rental costs	(93,132)	(233,050)
	346,556	631,797

25. NET OPERATING LOSS

	2020	2019
	KD	KD
Operating income (Note 23)	165,451	420,600
Operating costs	(386,828)	(560,435)
	(221,377)	(139,835)

26. FIDUCIARY ASSETS

Fiduciary assets comprise of investments and funds managed on behalf of clients. These assets are not owned by the Parent Company, and accordingly they are not included in the consolidated financial statements. At the consolidated financial statements date, the total fiduciary assets managed on behalf of clients amounted to KD 4,027,000 (2019: KD 4,444,000) of which a portfolio managed on behalf of a related party of KD 696,040 as at 31 December 2020 (2019: KD 1,254,324).

27. SEGMENT INFORMATION

Operating segments are identified based on the internal reports of Group segments which are regularly reviewed by the Chairman and general manager as the principal decisions makers in the Group so as to allocate resources to and evaluate performance of these segments on an ongoing basis.

The operating segments that meet the conditions and criteria for reporting them in the consolidated financial statements and are used in the internal reports regularly submitted to decision makers are as follows:

a) *Real estate:*
   This sector represents investing in investment properties to generate rental income, for capital appreciation, or for trading purposes.

b) *Financial assets:*
   This sector represents investment in short term money market instruments, investment in shares of listed and unlisted companies whose articles of association and activities are in compliance with rules of the noble Islamic Shari`a.

c) *Corporate finance:*
   Activity of this segment is to provide finance to companies by using the different Islamic financing instruments, i.e. Murabaha, Wakala, future sales and other contracts that are in compliance with rules of the noble Islamic Shari`a.

d) *Other:*
   This includes the revenues and expenses that are not included under the above sectors.

27. SEGMENT INFORMATION (CONTINUED)

Summarized information in respect of the Group's segment information is given below:

	Segment revenues		Segment profit	
	2020	**2019**	**2020**	**2019**
	KD	KD	KD	KD
Real estates	882,023	864,847	738,773	355,604
Financial assets	535,568	115,962	424,814	(5,282)
Corporate finance	-	-	-	2,173,615
Other	257,234	4,582,690	(129,594)	863,558
	1,674,825	5,563,499	1,033,993	3,387,495
General and administrative expenses			(888,813)	(1,732,395)
Provision for expected credit losses			(72,750)	(143,748)
Impairment of financial assets at fair value through profit or loss			-	(41,147)
National Labour Support Tax			-	(13,188)
Zakat			(278)	(6,868)
KFAS			(646)	(13,456)
Net profit for the year			71,506	1,436,693

The assets and liabilities of the different operating segments are analysed as follows:

Segment assets	**2020**	**2019**
	KD	KD
Real estates	22,232,956	15,045,359
Financial assets	1,705,662	8,455,326
Corporate finance	192	316
Other	2,831,190	4,314,744
Total segment assets	26,770,000	27,815,745

Segment liabilities	**2020**	**2019**
	KD	KD
Corporate finance	343,162	341,776
Other	2,791,212	2,777,152
Total segment liabilities	3,134,374	3,118,928

28. SHAREHOLDERS GENERAL ASSEMBLY

Board of directors proposed in its meeting held on 22 February 2021 not to distribute dividends to the Shareholders for the financial year ended 31 December 2020 (31 December 2019: KD 1,035,118) and not to pay remuneration to the board members for the same year. This proposal is subject to approval of the Shareholders' annual General Assembly.

The annual General Assembly meeting of Shareholders held on 5 April 2020 approved the annual consolidated financial statements of the Group for the financial year ended 31 December 2019 and approved distribution of dividends to the Shareholders of KD 1,035,118 for the year ended 31 December 2019 and distribution of board of directors' remuneration of KD 25,000 for the financial year ended 31 December 2019.

29. FINANCIAL INSTRUMENTS

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In the opinion of the Group's management, the carrying values of the financial assets and liabilities as at 31 December are not significantly different from their carrying value.

Categories of financial instruments
The financial assets and liabilities of the Group have been classified in the consolidated statement of financial position as follows:

	Carried at fair value	Carried at amortised cost	Total
	KD	KD	KD
2020			
Financial assets:			
Cash and bank balances	-	639,580	639,580
Financial assets at fair value through profit or loss	1,209,091	-	1,209,091
Accounts receivable and other debit balances (excluding expenses paid in advance)	-	7,356,491	7,356,491
Due from a related party	-	192	192
Financial assets at fair value through other comprehensive income	36,194	-	36,194
	1,245,285	7,996,263	9,241,548
Financial liabilities:			
Accounts payable and other credit balances	-	2,399,356	2,399,356
Due to a related party	-	343,162	343,162
	-	2,742,518	2,742,518

	Carried at fair value	Carried at amortised cost	Total
	KD	KD	KD
2019			
Financial assets:			
Cash and bank balances	-	4,338,781	4,338,781
Financial assets at fair value through profit or loss	979,557	-	979,557
Accounts receivable and other debit balances (excluding expenses paid in advance)	-	10,603,958	10,603,958
Due from a related party	-	316	316
Financial assets at fair value through other comprehensive income	41,400	-	41,400
	1,020,957	14,943,055	15,964,012
Financial liabilities:			
Accounts payable and other credit balances	-	2,409,933	2,409,933
Due to a related party	-	341,776	341,776
	-	2,751,709	2,751,709

29. FINANCIAL INSTRUMENTS (CONTINUED)

Financial and non-financial assets measured at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (inputs relating to prices).
- Level 3: inputs are unobservable inputs for the asset or liability.

2020	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets:				
Financial assets at fair value through profit or loss	1,202,591	-	6,500	1,209,091
Financial assets at fair value through other comprehensive income	-	-	36,194	36,194
Non-financial assets				
Investment properties	-	15,792,444	-	15,792,444
	1,202,591	15,792,444	42,694	17,037,729

2019	Level 1	Level 2	Level 3	Total
	KD	KD	KD	KD
Financial assets:				
Financial assets at fair value through profit or loss	961,818	-	17,739	979,557
Financial assets at fair value through other comprehensive income	2,314	-	39,086	41,400
Non-financial assets				
Investment properties	-	10,044,359	-	10,044,359
	964,132	10,044,359	56,825	11,065,316

There have been no transfers between levels during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Apart from the above, the financial instruments will be deemed to be included within Level 3, due to the absence of observable inputs.

All other financial assets and financial liabilities carried at amortised cost approximate their fair values at the consolidated financial position date.

The valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous consolidated financial statements period.

30. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial risk factors

The Group's activities expose it to variety of financial risks: e.g. market risk (i.e. foreign currency risk, profit rate risk and equity price risk), credit risk and liquidity risk. The Parent Company's management policies for reducing each of the risks are discussed below. The Group does not use derivative financial instruments based on future speculations.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 5 to the consolidated financial statements.

a) Market risk

Market risk comprises of foreign currency risk, profit rate risk and equity price risk. Such risk arises from change in market prices, and change in the profit and exchange rates.

Foreign currency risk

Foreign currency risk arises from Group's exposure to fluctuations of foreign currency arising from various currency exposures. Foreign currency risk arises when future commercial transactions or recognised assets and liabilities and net investments in foreign operations. The following is the value of net positions of foreign currencies as at the consolidated financial statements date:

	2020	2019
	KD equivalent	KD equivalent
US Dollar	101,883	101,883
Omani Riyals	1,979,373	2,396,027
UAE Dirham	3,793,598	3,763,333
Egyptian Pound	460,377	470,563
	6,335,231	6,731,806

The table below includes analysis of effect on the consolidated statement of income (due to changes in the fair value of monetary assets and liabilities) as a result of change in currency rate, with all other variables held constant as follows:

	Effect of increase in currency exchange rate by 5% on the consolidated statement of income	
	2020	2019
	KD equivalent	KD equivalent
US Dollar	5,094	5,094
Omani Riyals	98,969	119,801
UAE Dirham	189,680	188,167
Egyptian Pound	23,019	23,528

Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market profit rates. Profit rate risk arises from the long term loans. Loans with variable profit rates may expose the Group to cash flows risk because of the profit rates.

The Group dose not have significant assets or liabilities with variable profit rate; accordingly, the Group's profit, cash and operational flows are not significantly affected by changes in the market profit rate.

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

a) Market risk (continued)

Foreign currency risk (continued)

Equity price risk
Equity price risks are the risks that the fair value of financial instruments will fluctuate due to changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments.

The following table demonstrates the sensitivity of the changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown. The Group is not significantly exposed to equity price risk.

The effect on equity as a result of a change in the fair value of assets at fair value through other comprehensive income due to the possible changes in stock exchange markets index (5% ±), with all other variables held constant, is as follows:

	Effect on equity	
	2020	**2019**
	KD	KD
Financial assets at fair value through other comprehensive income	1,810	2,070

b) Credit risk

This represents the inability of one party to the financial instrument to meet its liabilities on maturity date, resulting into financial losses to the other party. Financial assets which primarily subject the Group to credit risk consist principally of bank balances, accounts receivable and other debit balances, due from a related party. The credit risk related to receivables and other debit balances is limited due to the variety of customers and distribution of credit on a large number of customers. For more details, see Note (10). Balance of receivables is presented net of provision for expected credit losses. The bank balances are placed with high credit rating financial institutions.

Trade receivables and other debit balances
The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables and other debit balances as these items do not have a significant financing component. In measuring the ECLs, trade receivables and other debit balances have been assessed on a collective basis respectively and classified based on shared credit risk characteristics and the days past due.

The expected losses rates are based on the ageing customers over 3 years before 31 December 2020 and 1 January 2020 respectively and the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customers' ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the period of consolidated financial statements.

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

b) Credit risk (continued)

Set out below is the expected credit losses for trade receivables was determined as follows:

The Group has calculated what equals 100% as expected credit loss for all receivables relating to financing operations in accordance with CBK's instructions.

31 December 2020	**More than 365 days**	**Total**
		KD
ECLs rate (%)	100%	
ECLs (KD)	1,732,998	1,732,998

31 December 2019	**More than 365 days**	**Total**
		KD
ECLs rate (%)	100%	
ECLs (KD)	1,749,649	1,749,649

Expected credit losses of accrued rentals that were determined as stated below:

31 December 2020	**Less than 90 days**	**91-180 days**	**181 – 365 days**	**More than 365 days**	**Total**
					KD
ECLs rate (%)	74%	81%	94%	100%	
ECLs (KD)	7,623	4,953	2,909	684,933	700,418

31 December 2019	**Less than 90 days**	**91-180 days**	**181 – 365 days**	**More than 365 days**	**Total**
					KD
ECLs rate (%)	74%	81%	94%	100%	
ECLs (KD)	5,557	5,095	7,276	746,516	764,444

Expected credit losses of other receivables that were determined are stated as below:

31 December 2020	**Less than 90 days**	**91-180 days**	**181 – 365 days**	**More than 365 days**	**Total**
					KD
ECLs rate (%)	8%	25%	40%	100%	
ECLs (KD)	783	1,607	3,926	10,685	17,001

31 December 2019	***Less than 90 days***	***91-180 days***	***181 – 365 days***	***More than 365 days***	***Total***
					KD
ECLs rate (%)	8%	25%	40%	100%	
ECLs (KD)	783	1,607	3,926	10,685	17,001

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

b) Credit risk (continued)

The ECLs rates are the weighted average of those rates calculated between the Group's companies based on the aging of customers over 3 years prior to that date.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to make an alternative payment arrangement - amongst other - with the Group is considered an indicator of no reasonable expectation of recovery and therefore is considered as credit impaired.

Bank balances
The Group's banks balances measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's banks balances are placed with high credit rating financial institutions with no previous history of default. Based on management's assessment, the ECLs impact is insignificant to the Group as the risk of default has not increased significantly since initial recognition.

The maximum limit of the Group's exposure to credit risk arising from default of the counterparty is the bank balances, accounts receivable and other debit balances and due from a related party.

The Group considers that the most significant exposure to credit risk is as follows:

	2020	**2019**
	KD	KD
Bank balances	639,078	4,335,308
Accounts receivable and other debit balances (excluding prepaid expenses)	7,356,491	10,603,958
Due from a related party	192	316
	7,995,761	14,939,582

Geographic concentration of maximum exposure to credit risk
The maximum exposure to credit risk for financial assets at the consolidated financial statements date by geographical region and industry wise sector is as follows:

	Gulf Cooperation Council Countries	**Total**
	KD	KD
31 December 2020:		
Bank balances	639,078	639,078
Accounts receivable and other debit balances (excluding prepaid expenses)	7,356,491	974,591
Due from a related party	192	192
	7,995,761	1,613,861

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

b) Credit risk (continued)

	Gulf Cooperation Council Countries	Total
	KD	KD
31 December 2019:		
Bank balances	4,335,308	4,335,308
Accounts receivable and other debit balances (excluding prepaid expenses)	10,603,958	10,603,958
Due from a related party	316	316
	14,939,582	14,939,582

	2020	2019
	KD	KD
Sector:		
Real Estate and Commercial	7,356,683	10,604,274
Banks and financial institutions	639,078	4,335,308
	7,995,761	14,939,582

c) Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due. Liquidity risk management includes holding sufficient cash and making finance sources available through sufficient facilities, holding high liquidity assets, monitoring liquidity regularly through future cash flows.

The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December, the carrying amounts of the Group's liabilities with maturity less than 12 months are not materially different from their contractual undiscounted value.

31 December 2020:

	On demand	3 to 12 months	Total
	KD	KD	KD
Accounts payable and other credit balances	-	2,399,356	2,399,356
Due to a related party	343,162	-	343,162
	343,162	2,399,356	2,742,518

31 December 2019:

	On demand	3 to 12 months	Total
	KD	KD	KD
Accounts payable and other credit balances	-	2,409,933	2,409,933
Due to a related party	341,776	-	341,776
	341,776	2,409,933	2,751,709

30. FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

Financial risk factors (Continued)

c) Liquidity risk (continued)

Capital risk management

The Group's objectives in managing capital are:

- To safeguard the Group's ability to continue as a going concern to be able to provide returns to shareholders and benefits to other beneficiaries.
- To maintain optimal returns to the shareholders by pricing products and services commensurately with risk level.

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

31. COMMITMENTS AND CONTINGENT LIABILITIES

	2020	2019
	KD	KD
Letters of guarantee	-	60,000

32. THE ECONOMIC SITUATION DUE TO CORONAVIRUS

Due to the current significant events arising from the spread of Coronavirus (COVID-19) that has affected the global economic situation and exposed the Group to various risks, including a decrease in the fair value of the financial assets at fair value through profit or loss, decrease in the rental amounts and increase in the expected credit losses for clients.

The above stated impacts on the consolidated financial statements during the financial year ended 31 December 2020 are as follows:

- Decrease in the fair value of the financial assets at fair value through profit or loss amounting to KD 110,754.
- The Group's Board of Directors approved to make a provision for expected credit losses at an amount of KD 72,750 against the due rental amounts. It further approved to write-off the due rental amounts and the provision for expected credit losses which was previously made for them at an amount of KD 136,776.
- The management approved to grant discounts at different percentages on the rental amounts for some tenants whose business has been affected by the current events effective from April 2020 until June 2020. Accordingly, the total amounts of the same reached KD 39,592.

The Group's management considers that the time period for this event is not specified and it is difficult to anticipate any future results that might arise therefrom including any decrease in the future rental amount or decline in the market value of the investment property. Therefore, the financial impact cannot be reasonably determined on the Group's future business results until the date of the accompanying consolidated financial statements.

33. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentations. Such reclassification did not affect the previously disclosed consolidated statement of income, consolidated equity or opening balances of the earliest comparative period presented.