Consolidated financial statements and independent auditor's report

National Industries Group Holding – KPSC and Subsidiaries

Kuwait

31 December 2020

Contents

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Independent auditor's report

To the shareholders of
National Industries Group Holding – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Industries Group Holding – Kuwaiti Public Shareholding Company (the "Parent Company") and Subsidiaries, (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of investments held at fair value

The Group invests in various assets classes, of which 46% of the total assets represent investments which are carried at fair value and classified either as financial assets at fair value through profit or loss or as financial assets at fair value through other comprehensive income. These investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in Note 34.3. 46% of these investments are carried at fair value based on Level 1 valuations, and the balance 54% of these investments are carried at fair value either based on Level 2 or Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 2 and level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 2 and level 3, we determined this to be a key audit matter. Refer to Notes 5.13.3, 5.13.8, 6.1, 6.2, 19, 20 and 34.3 for more information on fair valuation of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio. Agreeing the carrying value of the investments to the Group's internal and external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

Key Audit Matters (continued)

Impairment of investments in associates

The Group's investments in associates represent 27% of the total assets and are accounted for under the equity method of accounting and considered for impairment in case of indication of impairment. The investment in associates is significant to our audit due to the Group's share of results in the associates and the carrying value of these associates. In addition, significant management judgment and number of assumptions are required in the assessment of impairment and the recoverable amount, including the determination of the recoverable value of the investment based on its value-in-use, in case there are indicators of impairment. Further, the projected future cash flows and discount rates used by the Group in determining the investment's value in use are also subject to estimation uncertainty and sensitivity. Accordingly, we considered this as a key audit matter. Refer to Notes 5.4, 6.1, 6.2, and 22 for more information on investment in associates.

Our audit procedures included, among others, evaluating management's consideration of the impairment indicators of investment in associates. In evaluating such consideration, we assessed whether any significant or prolonged decline in value exists, whether there are any significant adverse changes in the technological market, economic or legal environment in which the associate operates, or structural changes in the field of industry in which the investee company operates, or changes in the political or legal environment effecting the investees business, and also whether there are any changes in the investees financial condition. For associates where there were impairment indicators, we also reviewed management's assessment of the recoverable value of the investment and the valuations methods used including, where applicable, the reasonability of the cash flow projections and discount rates used in the value in use calculations.

Other information included in the Group's 2020 annual report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

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

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

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

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

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

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

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

Independent auditor's report to the shareholders of National Industries Group Holding – KPSC (continued)

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

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

Report on Other Legal and Regulatory Requirements

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

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

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
25 March 2021

Consolidated statement of profit or loss

	Note	**Year ended 31 Dec. 2020 KD '000**	Year ended 31 Dec. 2019 KD '000 (Restated)
Sales		**109,899**	132,060
Cost of sales		**(91,613)**	(110,048)
Gross profit		**18,286**	22,012
(Loss)/income from investments	8	**(18,307)**	90,626
Changes in fair value of investment properties	21	**(2,243)**	(729)
Share of results of associates	22	**5,517**	15,767
Profit on disposal of associates	22	**-**	1,576
Profit on disposal of investment property		**350**	-
Rental income		**1,950**	2,477
Interest and other income	9	**3,382**	3,074
Distribution costs		**(7,600)**	(8,353)
General, administrative and other expenses		**(23,129)**	(25,569)
Loss on foreign currency exchange		**(765)**	(1,065)
		(22,559)	99,816
Finance costs	11	**(23,761)**	(30,745)
Impairment in value of receivables and other assets	17	**(834)**	(790)
Impairment in value of associates	22	**-**	(7,748)
Impairment in value of property, plant and equipment	23	**-**	(530)
Impairment in value of goodwill and other intangible assets	24	**-**	(945)
(Loss)/profit before foreign taxation		**(47,154)**	59,058
Foreign taxation reversal/(charge)	12a	**1,565**	(703)
(Loss)/profit before KFAS, Zakat, NLST and Directors' remuneration		**(45,589)**	58,355
KFAS, Zakat and NLST	12b	**(173)**	(2,452)
Directors' remuneration		**-**	(590)
(Loss)/profit for the year from continued operations	13	**(45,762)**	55,313
Discontinued operations			
Loss for the year from discontinued operations	7.4	**(900)**	(1,955)
(Loss)/profit for the year		**(46,662)**	53,358
(Loss)/profit for the year attributable to:			
Owners of the Parent Company		**(52,213)**	46,353
Non-controlling interests		**5,551**	7,005
(Loss)/profit for the year		**(46,662)**	53,358
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company:	14		
- **From continued operations**		**(37.3) Fils**	33.9 Fils
- **From discontinued operations**		**(0.2) Fils**	(0.6) Fils
Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company	14	**(37.5) Fils**	33.3 Fils

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
(Loss)/profit for the year	**(46,662)**	53,358
Other comprehensive (loss)/income:		
Items to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations		
- Exchange differences arising on translation of foreign operations	**(42)**	(4,090)
- Transferred to consolidated statement of profit or loss on partial disposal of an associate	**-**	1,547
Share of other comprehensive (loss)/income of associates		
- Changes in fair value	**(3,193)**	6,291
Total other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(3,235)**	3,748
Items not to be reclassified to profit or loss in subsequent periods		
Defined benefit plan actuarial losses	**(682)**	(34)
Net changes in fair value of investments in equity instruments designated at FVOCI	**34,174**	(7,028)
Share of other comprehensive (loss)/income of associates	**(5,961)**	3,680
Total other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods	**27,531**	(3,382)
Total other comprehensive income for the year	**24,296**	366
Total comprehensive (loss)/income for the year	**(22,366)**	53,724
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Parent Company	**(34,777)**	44,398
Non-controlling interests	**12,411**	9,326
	(22,366)	53,724

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Assets			
Bank balances and cash	15	**50,011**	31,798
Short-term deposits	15	**9,394**	18,189
Wakala investments	16	**-**	1,000
Assets classified as held for sale	7.4	**6,312**	-
Accounts receivable and other assets	17	**56,918**	50,776
Inventories	18	**34,819**	35,948
Financial assets at fair value through profit or loss	19	**313,472**	410,414
Financial assets at fair value through other comprehensive income	20	**230,918**	203,932
Right of use of leased assets		**9,642**	6,532
Investment properties	21	**60,260**	60,445
Investment in associates	22	**315,602**	324,781
Property, plant and equipment	23	**90,144**	91,177
Goodwill and other intangible assets	24	**9,847**	9,552
Total assets		**1,187,339**	1,244,544
Liabilities and equity			
Liabilities			
Due to banks	15	**23,695**	23,969
Accounts payable and other liabilities	25	**72,936**	69,190
Borrowings and bonds	26	**612,190**	628,603
Provisions	27	**15,296**	14,113
Total liabilities		**724,117**	735,875
Equity attributable to owners of the Parent Company			
Share capital	28	**142,784**	142,784
Share premium	28	**122,962**	122,962
Treasury shares	29	**(30,375)**	(30,375)
Cumulative changes in fair value	30	**36,469**	20,938
Other components of equity	30	**32,816**	32,260
Retained earnings		**22,253**	89,434
Equity attributable to owners of the Parent Company		**326,909**	378,003
Non-controlling interests	31	**136,313**	130,666
Total equity		**463,222**	508,669
Total liabilities and equity		**1,187,339**	1,244,544

Sa'ad Mohammed Al-Sa'ad
Chairman

Ahmad Mohammed Hassan
Chief Executive Officer

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 30 a) KD '000	Other components of equity (Note 30 b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests (Note 31) KD '000	Total KD '000
Balance at 1 January 2020	142,784	122,962	(30,375)	20,938	32,260	89,434	378,003	130,666	508,669
Transactions with owners									
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(2,940)	(2,940)
Dividend paid (Note 39)	-	-	-	-	-	(13,913)	(13,913)	-	(13,913)
Adjustments arising on capital reduction of a subsidiary (Note 31)	-	-	-	-	-	-	-	(1,860)	(1,860)
Consolidation adjustments and other related changes to retained earnings and non-controlling interests	-	-	-	-	-	(2,404)	(2,404)	(1,964)	(4,368)
Total transactions with owners	-	-	-	-	-	(16,317)	(16,317)	(6,764)	(23,081)
Comprehensive income/(loss)									
(Loss)/profit for the year	-	-	-	-	-	(52,213)	(52,213)	5,551	(46,662)
Other comprehensive income/(loss) for the year [actuarial loss and others] (Notes 30 and 31)	-	-	-	17,562	556	(682)	17,436	6,860	24,296
Total comprehensive income/(loss) for the year	-	-	-	17,562	556	(52,895)	(34,777)	12,411	(22,366)
Realised gain on equity investments at FVOCI	-	-	-	(2,031)	-	2,031	-	-	-
Balance at 31 December 2020	142,784	122,962	(30,375)	36,469	32,816	22,253	326,909	136,313	463,222

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company								
	Share Capital KD '000	Share premium KD '000	Treasury shares KD '000	Cumulative changes in fair value (Note 30 a) KD '000	Other components of equity (Note 30 b) KD '000	Retained earnings KD '000	Sub-Total KD '000	Non-controlling interests (Note 31) KD '000	Total KD '000
Balance at 1 January 2019	135,985	122,962	(30,375)	21,679	23,827	78,608	352,686	143,662	496,348
Transactions with owners									
Decrease in non-controlling interest on disposal of indirect subsidiaries (Note 31)	-	-	-	-	-	-	-	(6,264)	(6,264)
Issue of bonus shares (Note 39)	6,799	-	-	-	-	(6,799)	-	-	-
Dividend paid to non-controlling interests by the subsidiaries	-	-	-	-	-	-	-	(8,195)	(8,195)
Dividend paid (Note 39)	-	-	-	-	-	(15,901)	(15,901)	-	(15,901)
Adjustments arising on capital reduction of a subsidiary	-	-	-	-	-	-	-	(3,041)	(3,041)
Consolidation adjustments and related changes to retained earnings and non-controlling interests	-	-	-	-	-	(3,180)	(3,180)	(4,822)	(8,002)
Total transactions with owners	6,799	-	-	-	-	(25,880)	(19,081)	(22,322)	(41,403)
Comprehensive (loss)/income									
Profit for the year	-	-	-	-	-	46,353	46,353	7,005	53,358
Other comprehensive (loss)/income for the year [actuarial loss and others] (Notes 30 and 31)	-	-	-	(476)	(1,445)	(34)	(1,955)	2,321	366
Total comprehensive (loss)/income for the year	-	-	-	(476)	(1,445)	46,319	44,398	9,326	53,724
Transfer of reserves	-	-	-	-	9,878	(9,878)	-	-	-
Realised gain on equity investments at FVOCI	-	-	-	(265)	-	265	-	-	-
Balance at 31 December 2019	142,784	122,962	(30,375)	20,938	32,260	89,434	378,003	130,666	508,669

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000 (Restated)
OPERATING ACTIVITIES		
(Loss)/profit before foreign taxation	(47,154)	59,058
Adjustments:		
Dividend income from financial assets at FVOCI	(2,348)	(4,625)
Changes in fair value of investment properties	2,243	729
Share of results of associates	(5,517)	(15,767)
Profit on disposal of associates	-	(1,576)
Profit on disposal of investment property	(350)	-
Interest/profit on bank balances, short-term deposits and wakala investments	(610)	(1,095)
Net provisions charged	1,183	540
Depreciation and amortisation	8,122	9,343
Impairment in value of goodwill and other intangible assets	-	945
Impairment in value of associates	-	7,748
Impairment in value of receivable and other assets	834	790
Impairment in value of property plant and equipment	-	530
Finance costs	23,761	30,745
	(19,836)	87,365
Changes in operating assets and liabilities:		
Inventories	1,105	639
Accounts receivable and other assets	(6,662)	3,953
Financial assets at fair value through profit or loss	96,942	(45,701)
Accounts payable and other liabilities	(1,176)	(7,488)
Cash from operations	70,373	38,768
Taxation paid	(171)	(1,332)
KFAS, Zakat and NLST paid	(124)	(382)
Net cash from continuing operations	70,078	37,054
Net cash (used)/from discontinuing operations	(1,948)	168
Net cash from operating activities	68,130	37,222

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000 (Restated)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,342)	(10,078)
Proceeds from disposal of property, plant and equipment		55	381
Additions to investment properties		(3,574)	(10,351)
Investment in associates		(5,626)	(2,997)
Dividend received from associate companies		8,759	9,619
Proceeds from disposal/capital reduction of associates		1,328	7,505
Proceeds from sale of investment property		1,900	-
Purchase of financial assets at FVOCI		(786)	(1,988)
Proceeds from sale of financial assets at FVOCI		7,974	9,931
Dividend income on financial assets at FVOCI		2,348	4,625
Increase/(decrease) of short-term deposits maturing after 3 months		1,164	(2,414)
Decrease in wakala investments		1,000	-
Addition to intangible assets		(191)	-
Interest/profit on bank balances, short-term deposits, wakala investments		555	310
Net cash from investing activities from continuing operations		1,564	4,543
Net cash from/(used) in investing activities from discontinued operations		2,496	(227)
Net cash from investing activities		4,060	4,316
FINANCING ACTIVITIES			
Net (decrease)/increase in borrowings		(16,413)	26,206
Dividend paid to the owners of the Parent Company		(13,287)	(15,392)
Dividend paid to non-controlling interest		(2,940)	(8,195)
Finance costs paid		(24,296)	(30,191)
Change in non-controlling interests		(3,824)	(7,863)
Net cash used in financing activities		(60,760)	(35,435)
Net increase in cash and cash equivalents		11,430	6,103
Translation difference		(11)	(4)
		11,419	6,099
Cash and cash equivalents attributable to the disposed group and indirect subsidiaries		(563)	(699)
Cash and cash equivalents at beginning of the year		23,598	18,198
Cash and cash equivalents at end of the year	15	34,454	23,598

The notes set out on pages 12 to 75 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

National Industries Group Holding – KPSC ("the Parent Company") was incorporated in 1961 as a Kuwaiti shareholding company in accordance with the Commercial Companies Law in the State of Kuwait and in April 2003, its status was transformed to a "Holding Company". The Parent Company along with its subsidiaries are jointly referred to as "the Group". The Parent Company's shares are traded on the Kuwait Stock Exchange and Dubai Financial Market.

The main objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, along with acting as guarantor on behalf of these companies.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the group by investing them in investment and real estate portfolios managed by specialised companies.

The address of the Parent Company's registered office is PO Box 417, Safat 13005, State of Kuwait.

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 25 March 2021. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the revaluation properties, the measurement at fair value of financial assets at fair value through profit or loss and financial asset at fair value through other comprehensive income and investment properties.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") and all values are rounded to the nearest thousand (KD '000), except when otherwise indicated.

3 Statement of compliance

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

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

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

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

Several other amendments and interpretations apply for the first time in 2020, but are not relevant and/or do not have a material impact on the consolidated financial statements of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 3 – Amendments- Definition of Business

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

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

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

IAS 1 and IAS 8 – Amendments

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

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

IFRS 16 – Amendments- COVID19 Rent Related Concessions

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

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

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

All of the following conditions need to be met:

- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

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

IFRS 16 – Amendments- COVID19 Rent Related Concessions (continued)

- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease.

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

4.2 IASB Standards issued but not yet effective

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

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

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

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

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

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)

- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture – Amendments (continued)
These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

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

IAS 16 Amendments - Proceeds before intended use
The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

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

IAS 37 Amendments – Onerous contracts- Cost of fulfilling a contract
The amendments specify which costs an entity includes when assessing whether a contract will be loss-making.

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

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

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

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

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

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

Annual Improvements 2018-2020 Cycle (continued)
Lease Incentives – amendment to illustrative examples – The IASB was informed about the potential for confusion in applying IFRS 16 Leases because of how Illustrative Example 13 accompanying IFRS 16 had illustrated the requirements for lease incentives. Before the amendment, Illustrative Example 13 had included as part of the fact pattern a reimbursement relating to leasehold improvements; the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16. The IASB decided to remove the potential for confusion by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements.

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

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

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

5 Summary of significant accounting policies

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

5.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.2 Business combinations

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

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

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

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

5.3 Goodwill and other intangible assets

5.3.1 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 24 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 5.12 for a description of impairment testing procedures.

5.3.2 Other intangible assets

Identifiable non-monetary assets acquired in as business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of Indefeasible Rights of Use (IRU).

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight-line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statements of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)
The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is 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 under a separate heading in the consolidated statement of profit or loss.

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

5.5 Segment reporting
The Group has four operating segments: Investment, building materials, specialist engineering and hotel and IT services segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

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

5.6 Revenue
Revenue arises from sale of goods, rendering of services, investing and real estate activities.

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:

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

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)
The Group recognises revenue from the following major sources:

5.6.1 Sale of goods
Revenue from sale of goods is recognized at the point in time when control of the asset is transferred to the customers generally upon delivery or shipment of the goods.

Revenue from the sale of goods with no significant service obligation is recognised on delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

5.6.2 Rendering of services
The Group generates revenues from after-sales service and maintenance, consulting, hotel operations, IT services and construction contracts. Consideration received for these services is initially deferred, included in other liabilities and is recognised as revenue in the period when the service is performed.

In recognising after-sales service and maintenance revenues, the Group considers the nature of the services and the customer's use of the related products, based on historical experience.

The Group also renders hotel services and revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed. Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale.

The Group earns fees and commission income from diverse range of asset management, investment banking, custody, consulting and brokerage services provided to its customers. Fees and commission income are recognised over the period of the service.

5.6.3 Interest income
Interest income is reported on an accrual basis using the effective interest method.

5.6.4 Dividend income
Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

5.6.5 Rental income
Rental income from investment properties is recognised as noted in Note 5.10.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment losses. Depreciation is calculated to write off the cost or valuation, less the estimated residual value of property, plant and equipment, on a straight-line basis over their estimated useful lives as follows:

Freehold buildings	Lower of 50 years or remaining useful life
Long leasehold property	Lower of 50 years or remaining lease term
Short leasehold property	Lease term
Property on leasehold land	4 to 20 years
Plant and machinery	1 to 20 years
Motor vehicles	2 to 10 years
Furniture and equipment	3 to 10 years

Any increase arising on revaluation is credited directly to other comprehensive income as "revaluation reserve" except to the extent where the increase reverses a revaluation decrease related to the same asset for which a decrease in valuation has previously been recognised as an expense, it is credited to the consolidated statement of profit or loss. Any decrease in the net carrying amount arising on revaluation is charged directly to the consolidated statement of profit or loss, or charged to the revaluation reserve to the extent that the decrease is related to an increase for the same asset which was previously recorded as a credit to the revaluation surplus.

Depreciation on the re-valued properties is charged to the consolidated statement of profit or loss over their remaining estimated useful lives and an amount equivalent to the excess depreciation charge relating to the increase in carrying amount is transferred each year from the revaluation reserve to retained earnings.

No depreciation is provided on freehold land. Properties in the course of construction for production or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, which is on the same basis as other property assets, commences when the assets are ready for their intended use.

5.10 Leases

The Group as a lessee

For any new contracts entered into on or after 1 January 2020, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Leases (continued)

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

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

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

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

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

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

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

The Group as a lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contacts. The sub-lease is classified as finance lease or operating lease by reference to the right-of-use of asset arising from the head-lease.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.10 Leases (continued)
Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

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

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

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

Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Impairment testing of goodwill and non-financial assets (continued)

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

5.13 Financial instruments

5.13.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and either

  (a) the Group has transferred substantially all the risks and rewards of the asset or

  (b) the Group has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.2 Classification of financial assets
The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (Note 5.13.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In this period presented, no such irrevocable designation has been made.

5.13.3 Subsequent measurement of financial assets

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

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

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

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

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount is in case of default, negligence or violation of any terms and conditions of Wakala.

- *Bank balances, cash and short term deposits*

Cash on hand and demand deposits are classified under bank balances and cash and short term deposits represent deposits placed with financial institutions with a maturity of less than one year.

- *Receivables and other financial assets*

Trade receivable are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.3 Subsequent measurement of financial assets (continued)

Financial assets at amortised cost (continued)

***Financial assets at* FVTPL**
Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

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

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

- *Investment in managed portfolios and funds*
- *Investment in quoted shares*
- *Investment in unquoted equity participation*

***Financial assets at* FVOCI**
The Group's financial assets at FVOCI comprise of investments in managed portfolios and funds, equity shares (quoted shares and unquoted equity participation).

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

A financial asset is held for trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs.

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

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets
The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Bank balances
- Short term deposits
- Wakala and sukuk investments
- Accounts receivables and other financial assets

The Group recognises ECL on investment in debt instruments measured at amortised cost on balances and deposits with banks and other assets. Equity instruments are not subject to Expected Credit Losses.

Expected Credit Losses
The Group applies three-stage approach to measuring expected credit losses (ECL) as follows:

Stage 1: 12 months ECL
The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired
The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12 month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment
At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.4 Impairment of financial assets (continued)

Expected Credit Losses (continued)

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represent the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The Group has applied simplified approach to impairment for trade and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5.13.5 Classification and subsequent measurement of financial liabilities
The Group's financial liabilities include trust certificates issued, borrowings, leasing creditors, due to banks, trade payables and other liabilities and derivative financial instruments.

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

Financial liabilities at amortised cost
These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

- *Borrowings*

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

- *Bonds*

Bonds are stated on the consolidated statement of financial position at their principal amount, net of directly related costs of issuing the bonds to the extent that such costs have not been amortised. These costs are amortised through the consolidated statement of profit or loss over the life of the bonds using the effective interest rate method.

Finance cost is charged as an expense as it accrues, with unpaid amounts included in accounts payable and other liabilities.

- *Wakala payables*

Wakala payables represent short-term borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

5.13.5 Classification and subsequent measurement of financial liabilities (continued)

Financial liabilities at amortised cost (continued)

- *Murabaha finance payables*

Murabaha finance payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha finance payables are stated at the gross amount of the payable, net of deferred finance cost. Deferred finance cost is expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

- *Accounts payables and other financial liabilities*

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "Other financial liabilities"

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss, are included within finance costs or other income.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities at FVTPL are either held for trading or designated as such on initial recognition.

Financial liabilities held for trading or designated at FVTPL, are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Derivative financial instruments

Where the Group uses derivative financial instruments, such as interest rate to mitigate its risks associated with interest rate fluctuations, such derivative financial instruments are initially recognised at cost, being the fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using valuation quotes provided by financial institutions, based on prevailing market information. Derivatives, if any, are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group does not adopt hedge accounting, and any realised and unrealised (from changes in fair value) gain or losses are recognised directly in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13 Financial instruments (continued)

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

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

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34.

5.14 Inventories
Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the weighted average cost formula.

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

5.15 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

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

Other components of equity include the following:
- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD and the Group's share of foreign currency translation reserves shown in the associates statement of financial position.
- Cumulative changes in fair value – comprises gains and losses relating to financial assets at FVOCI

Retained earnings include all current and prior period profit retained/(losses) incurred. All transactions with owners of the Parent Company are recorded separately within equity.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Equity, reserves and dividend payments (continued)
Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Assembly meeting.

5.16 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

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

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

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

5.18 Foreign currency translation

5.18.1 Functional and presentation currency
The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the parent company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.18 Foreign currency translation (continued)

5.18.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation.

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

5.19 End of service indemnity

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

In addition to the end of service benefits with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.20 Pensions (related to the foreign subsidiaries)

Contributions are paid to both defined benefit and defined contribution pension schemes in accordance with the recommendations of independent actuaries and advisors. Contributions to defined contribution schemes are charged to the consolidated statement of profit or loss on an accrual basis.

In respect of defined benefit schemes a defined benefit liability (or asset) is recognised in the consolidated statement of financial position and it is calculated as the present value of the defined benefit obligation using the projected unit credit method plus any unrecognised actuarial gains or losses less any past service cost not recognised less the market value of the plan assets.

Pension expense is charged to the consolidated statement of profit or loss and is calculated as the aggregate of current service cost (using the projected unit credit method), a net interest cost on the discounted defined benefit obligation net of the expected return on plan assets, recognised past service costs and the effect of curtailments or settlements.

Actuarial gains or losses are recognised in full in other comprehensive income.

5.21 Share-based Payment

Certain employees of the Group receive remuneration in the form of share-based payment transactions, whereby the employees render services in exchange for shares ("equity settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured under the intrinsic value method. Under this method, the cost is determined by comparing the period end market value of the company's shares with the issue price. The cost of equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the shares vest.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.22 Taxation

5.22.1 National Labour Support Tax (NLST)
NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

For the year ended 31 December 2019, one of the subsidiaries of the Group has no liability towards NLST in line with agreement between The Islamic Republic of Pakistan and the State of Kuwait for the "avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income" which state that income source shall be taxed only in the Contracting State.

5.22.2 Kuwait Foundation for the Advancement of Sciences (KFAS)
The contribution to KFAS is calculated at 1% of taxable profit of the Group in accordance with the modified calculation based on the Foundation's Board of Directors' resolution, which states that income from Kuwaiti shareholding associates and subsidiaries and transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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

5.22.4 Withholding taxes
The Group is exempt from income taxation and withholding taxes in Kuwait. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. Withholding tax is a generic term used for the amount of withholding tax deducted of the source of the income and is not significant for the Group. The Group presents the withholding tax separately from the gross investment income in the consolidated statement of profit or loss. For the purpose of the consolidated statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

5.22.5 Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

Deferred taxation is provided in respect of all temporary differences. Deferred tax assets are recognised in respect of unutilised tax losses when it is probable that the loss will be used against future profits.

5.23 Cash and cash equivalents
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits, murabaha and wakala investments and short term highly liquid investments maturing within three months from the date of inception less due to banks and blocked bank balances.

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

5.25 Related party transactions
Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.26 Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date at an agreed price (repos) are not derecognised in the consolidated statement of financial position. Amounts received under these agreements are treated as interest bearing liabilities and the difference between the sale and repurchase price treated as interest expense using the effective yield method. Assets purchased with a corresponding commitment to resell at a specified future date at an agreed price (reverse repos) are not recognised in the consolidated statement of financial position. Amounts paid under these agreements are treated as interest earning assets and the difference between the purchase and resale price treated as interest income using the effective yield method.

6 Significant management judgements and estimation uncertainty

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

6.1 Significant management judgments

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

6.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in Note 5.13). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 Significant increase in credit risk

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.1.3 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value and if the changes in fair value of these properties are reported in the consolidated statement of profit or loss.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. And if such properties are under development with an intention of being sold in future they are classified under trading properties under 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. And if such properties are under development they are classified under investment properties under development.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1. Significant management judgments (continued)

6.1.4 Revenue recognition
Revenue is measured based on the consideration which the Group expects to be entitled in a contract and is recognised when it transfers control of a product or service to a customer. The determination of whether the revenue recognition criteria as specified under IFRS 15 and in the revenue accounting policy explained in Note 5.6 are met requires significant judgement.

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

6.1.6 Equity method accounting for entities in which the Group holds less than 20% of the voting rights
Management has assessed the level of influence that the Group has over its material associate, Mabanee Company - KPSC and determined that it has significant influence even though the shareholding in this associate is below 20%, because of the factors mentioned in note 22.3. Consequently, this investment has been classified as an associate and has been accounted for using the equity method.

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

6.2.1 Impairment of goodwill and other intangible assets
The Group determines whether goodwill and intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows (Refer note 24).

6.2.2. Impairment of associates
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 the consolidated statement of profit or loss.

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

During the year, the Group has recognised net impairment losses of KD843 thousand (2019: KD790 thousand) against accounts receivables and other assets.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.4. Useful lives of depreciable/amortisable assets

Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and other obsolescence that may change the utility of certain software, intangible assets and property, plant and equipment.

6.2.5. Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

At the financial position date, gross inventories were KD36,333 thousand (2019: KD37,449 thousand), with provision for old and obsolete inventories of KD1,514 thousand (2019: KD1,501 thousand). Any difference between the amounts actually realised in future periods and the amount expected will be recognised in the consolidated statement of profit or loss.

6.2.6. Fair value of financial instruments

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

6.2.7. Revaluation of investment properties

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

6.2.8. Defined benefits obligation

Management's estimate of the defined benefit obligation is based on number of critical underlying assumption such as standard rates of inflation, mortality, discount rate and anticipation of future pension increases. Variation in these assumptions may significantly impact the defined benefit obligations and amount and the annual defined benefits expenses

6.2.9. Provision for foreign taxation

The Group has made provision for potential tax liabilities which may arise on foreign income. These provisions have been assessed based on information available to management as of the reporting date. The actual liability which may or may not arise if and when the relevant tax authorities make an official assessment may substantially differ from the actual provision made (Note 25 b).

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (Continued)

6.2. Estimates uncertainty (continued)

6.2.10. Contract revenue
Recognised amounts of service and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries at the end of the reporting period are as follows:

	Country of registration and place of business	Nature of business	Proportion of ownership interest 31 Dec. 2020 %	31 Dec. 2019 %
Al Durra National Real Estate – KSC (Closed)	Kuwait	Real Estate	**97***	97*
National Combined Industries Holding Company for Energy – KSC (Closed)	Kuwait	Investments	**96***	96*
Pearl National Holding – KSC (Closed)	Kuwait	Investments	**99***	99*
Economic Holding Company – KSC (Closed)	Kuwait	Investments	**97***	97*
BI Group Plc	United Kingdom	Specialist Engineering	**100**	100
Proclad Group Limited	UAE	Specialist Engineering	**100**	100
Eagle Proprietary Investments Limited	UAE	Investments	**100**	100
Pearl Offshore Enterprises Limited (note 7.3)	BVI	Investments Holdings	**100**	100
Denham Investment Limited	Cayman Islands	Investments	**85**	85
Ikarus Petroleum Industries Company – KSC (Closed)	Kuwait	Petroleum	**72**	72
National Industries Company - KPSC	Kuwait	Industrial	**50**	50
Noor Financial Investment Company – KPSC	Kuwait	Investments	**50**	50

* The Group's holding of these subsidiaries are 100% and the remaining stake is held by nominees on its behalf.

7.2 Subsidiaries with material non-controlling interests
The Group includes three subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI 31 Dec. 2020	31 Dec. 2019	Profit/(loss) allocated to NCI 31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	Accumulated NCI 31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Noor Financial Investment Company - KPSC (NFI)	**50%**	50%	**5,961**	4,797	**48,515**	45,158
National Industries Company - KPSC (NIC)	**50%**	50%	**(849)**	1,044	**49,800**	49,921
Ikarus Petroleum Industries Company – KSC (Closed) (IPI)	**28%**	28%	**465**	1,363	**27,388**	28,674
Individual immaterial subsidiaries with non-controlling interests			**(26)**	(199)	**10,610**	6,913
			5,551	7,005	**136,313**	130,666

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)
Summarised financial information for the above subsidiaries, before intragroup eliminations, is set out below:

	31 December 2020			31 December 2019		
	NFI KD '000	**NIC KD '000**	**IPI KD '000**	NFI KD '000	NIC KD '000	IPI KD '000
Total assets	**107,190**	**118,263**	**111,786**	108,230	114,363	111,665
Total liabilities	**(33,574)**	**(29,957)**	**(31,527)**	(36,976)	(25,341)	(26,397)
Non-controlling interest (including NCI in the subsidiary's statement of financial position)	**(39,974)**	**(46,178)**	**(27,030)**	(38,751)	(46,746)	(28,223)
Equity attributable to the shareholders of the Parent Company	**33,642**	**42,128**	**53,229**	32,503	42,276	57,045

	Year ended 31 December 2020			Year ended 31 December 2019		
	NFI KD '000	**NIC KD '000**	**IPI KD '000**	NFI KD '000	NIC KD '000	IPI KD '000
Revenue	**29,459**	**37,000**	**6,106**	30,251	50,990	10,619
Profit/(loss) for the year	**12,132**	**(730)**	**1,327**	8,920	4,256	4,438
Other comprehensive (loss)/income for the year	**(7,344)**	**3,531**	**358**	3,928	(741)	70
Total comprehensive income for the year	**4,788**	**2,801**	**1,685**	12,848	3,515	4,508
- attributable to the shareholders of the Parent Company	**2,331**	**1,733**	**1,030**	6,160	1,853	3,047
- attributable to NCI	**2,457**	**1,068**	**655**	6,688	1,662	1,461
Dividend paid to NCI	**(1,124)**	**(1,748)**	**-**	(962)	(1,743)	(5,378)
Net cash flow from/(used in) operating activities	**3,486**	**4,063**	**2,655**	(463)	8,188	14,344
Net cash flow from/(used in) investing activities	**7,658**	**(1,176)**	**(4,624)**	12,114	(768)	8,455
Net cash flow used in financing activities	**(8,147)**	**(4,698)**	**(4,165)**	(14,524)	(4,642)	(15,681)
Net cash inflow/(outflow)	**2,997**	**(1,811)**	**(6,134)**	(2,873)	2,778	7,118

7.3 Pearl Offshore Enterprises Limited is a special purpose vehicle (SPV) which was incorporated during the year 2011 and total assets with a carrying value of KD57,266 thousand (2019: KD110,436 thousand) and total liabilities of KD27,206 thousand (2019: KD73,205 thousand) of the Parent Company are held by the SPV.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.4 *Assets classified as held for sale and discontinued operation*

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000 (Restated)
Saudi Insulation Bricks Company - WLL (refer note a.)	**(900)**	(435)
Noor Al Salhiya Real Estate Co. – KSC (Closed) (NSREC) and other subsidiaries (refer note b.)	**-**	(1,520)
Total loss for the year from discontinued operations	**(900)**	(1,955)

a) Saudi Insulation Bricks Company – WLL

During the year, one of the subsidiaries of the Group approved the sale, liquidation, or merger of the above-mentioned subsidiary's 50% ownership. Consequently, the operating loss, assets and liabilities assigned to this subsidiary have been classified as discontinued operation and assets held for sale, respectively in the Group consolidated financial statements, as follows:

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Sales revenue	**8**	177
Cost of sales	**(218)**	(137)
Gross (loss)/profit	**(210)**	40
Gain on disposal of lands	**387**	-
General and administrative expenses	**(1,077)**	(475)
Loss for the year from discontinued operations	**(900)**	(435)

The carrying values of the assets and liabilities included in the disposed Group classified as assets held for sale are summarized below:

	Year ended 31 Dec. 2020 KD '000
Property, plant and equipment	**5,309**
Total current assets	**1,003**
Total assets classified as held for sale	**6,312**
Total current liabilities (included under accounts payable and other liabilities (note 25)	**(536)**
Net assets included in the disposal group	**5,776**

b) Noor Al Salhiya Real Estate Co. – KSC (Closed) (NSREC) and other subsidiaries

During the previous year, one of the local subsidiaries of the Group disposed 32.7% of equity interest in NSREC to a related party resulting in loss of control over NSREC by virtue of losing majority of the voting rights but retained significant influence over NSREC. As a result of the above disposal transaction, the Group also lost its control over certain other indirect subsidiaries, Noor CM Holding Company – KSC (Closed) ("NCM"), Ikarus Real Estate Company - LLC ("Ikarus Real Estate"), Sidra Middle East Company WLL ("Sidra") and National Tamouh GTC Company - WLL ("Tamouh"). Consequent to the loss of control over above indirect subsidiaries, the Group's ownership in NSREC has further diluted. Accordingly, the retained interest of 16.9% in NSREC and other indirect subsidiaries have been considered as investment in associates effective from 1 January 2019.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.4 *Assets held for sale and discontinued operation (continued)*
At the date of disposal, the fair values of the consideration and the carrying amounts of net assets disposed of the above-mentioned subsidiaries were as follows:

	Year ended 31 Dec. 2019 KD '000
Fair value of the consideration:	
- Consideration received*	3,000
- Fair value of investment property retained as a part of sale consideration**	2,890
	5,890
Fair value of retained interest in indirect subsidiaries classified as investment in associates	5,619
Additional amounts due from associate companies recognised on deconsolidation of above indirect subsidiaries	7,812
	19,321
Less: total carrying value of the net assets disposed (refer below)	(20,841)
Loss on disposal of indirect subsidiaries	(1,520)

*Cash and cash equivalents amounting to KD684 thousand (excluding consideration received) was derecognised on disposal of subsidiaries.

**As a part of the disposal transaction, the subsidiary has agreed with one of the buyers, a related party of the Group, to retain one of its existing investment properties (owned by NSREC and subsidiaries) with a carrying value of KD2,890 thousand against the consideration due.

Net assets of the disposed subsidiaries as at the date of disposal were as follows;

	31 Dec. 2019 KD '000
Bank balances, short-term deposits and wakala investments	3,837
Accounts receivables and other assets	2,838
Investment properties	29,627
Accounts payables and other liabilities	(477)
Borrowings	(8,720)
Non-controlling interests	(6,264)
Net assets as at the date of disposal attributable to the Group	20,841

8 (Loss)/income from investments

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Dividend income:		
- From financial assets at fair value through profit or loss	**8,692**	9,413
- From financial assets at fair value through other comprehensive income	**2,348**	4,625
Realised (loss)/gain on financial assets at fair value through profit or loss	**(9,893)**	8,360
Unrealised (loss)/gain on financial assets at fair value through profit or loss	**(19,473)**	68,144
Interest income on debt securities classified under financial assets at FVTPL	**19**	84
	(18,307)	90,626

Notes to the consolidated financial statements (continued)

9 Interest and other income

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Interest/profit on bank balances, short term deposits, wakala investments	**610**	1,095
Service income, management and placement fees	**162**	49
Reversal of interest expenses on legal cases on settlement	**-**	813
Reversal of impairment provision on wakala investment (Note 16)	**740**	200
Others	**1,870**	917
	3,382	3,074

10 Net (loss)/gain on financial assets and financial liabilities

Net (loss)/gain on financial assets and financial liabilities, analysed by category, is as follows:

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Financial assets at amortised cost:		
- Interest/profit on bank balances and short-term deposits	**562**	1,081
- Profit from wakala and sukuk investments	**48**	14
- impairment in value of receivable and other assets	**(834)**	(790)
- Reversal of impairment provision on wakala investment	**740**	200
Financial assets at FVTPL:		
- Realised gain	**(9,893)**	8,360
- Unrealised gain	**(19,473)**	68,144
- Dividend income	**8,692**	9,413
- Interest income on debt securities	**19**	84
Financial assets at FVOCI:		
- recognised directly in other comprehensive income (including NCI share)	**34,174**	(7,028)
- recognised directly in consolidated statement of profit or loss as dividend	**2,348**	4,625
	16,383	84,103
Financial liabilities at amortised cost:		
- Borrowings and bonds	**(23,761)**	(30,745)
	(7,378)	53,358
Net (loss)/gain recognised in the consolidated statement of profit or loss	**(41,552)**	60,386
Net gain/(loss) recognised in the consolidated statement of profit or loss and other comprehensive income	**34,174**	(7,028)
	(7,378)	53,358

11 Finance costs

Finance costs mainly relate to due to banks, borrowings, bonds and lease creditors. All these financial liabilities are stated at amortized cost.

Notes to the consolidated financial statements (continued)

12 Taxation and other statutory contributions

(a) Foreign taxation reversal/(charge)*

Taxation of subsidiaries

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Current tax expense		
Current year reversal/(charge)	**1,565**	(676)
Deferred tax expenses		
Current year expenses	-	(27)
	1,565	(703)

* Foreign taxation includes a net amount of KD156 thousand reversed (2019: KD642 thousand charged) by certain foreign subsidiaries which is calculated based on the tax law adopted in the United Kingdom and across European countries.

(b) KFAS, Zakat and NLST

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Contributions to Kuwait Foundation for Advancement of Science (KFAS)	**(27)**	(343)
Provision for Zakat	**(138)**	(469)
Provision for National Labour Support Tax (NLST)	**(8)**	(1,640)
	(173)	(2,452)

The contributions and provisions are on profit of local subsidiaries, whereas no contribution and provision for the Parent Company was recognised in the current year (2019: KD1,256 thousand) as the net taxable results attributable to the Parent Company was a loss.

13 (Loss)/profit for the year

(Loss)/profit for the year is stated after charging:

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Staff costs	**35,166**	36,139
Depreciation and amortisation (Note 13 a)	**8,122**	9,343

The number of staffs employed by the Parent Company at 31 December 2020 was 60 (2019: 62).

a) Depreciation includes right of use depreciation of KD906 thousand (31 December 2019: KD1,895 thousand).

Notes to the consolidated financial statements (continued)

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

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2020	Year ended 31 Dec. 2019 (Restated)
(Loss)/profit for the year attributable to the owners of the Parent Company (KD '000)		
- From continued operations	**(51,987)**	47,275
- From discontinued operations	**(226)**	(922)
Total	**(52,213)**	46,353
Weighted average number of shares outstanding during the year (excluding treasury shares) – shares	**1,391,309,848**	1,391,309,848
Basic and diluted (loss)/earnings per share		
- From continued operations	**(37.3) Fils**	33.9 Fils
- From discontinued operations	**(0.2) Fils**	(0.6) Fils
Total	**(37.5) Fils**	33.3 Fils

15 Cash and cash equivalents

	Effective interest/profit rate %	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Bank balances and cash	0.004% - 0.25%	**50,011**	31,798
Short term deposits	0.30% - 4.00%	**9,394**	18,189
Due to banks (a)	0.70% - 6.06%	**(23,695)**	(23,969)
		35,710	26,018
Less: Blocked balances		**(6)**	(6)
Less: Time deposits maturing after three months		**(1,250)**	(2,414)
		(1,256)	(2,420)
Cash and cash equivalents for the purpose of consolidated statement of cash flows		**34,454**	23,598

a) Due to banks include bank overdraft facilities utilised by one of the subsidiaries of the Group which are secured against short term deposits of KD623 thousand as at 31 December 2020 (2019: KD623thousand).

b) Deposits amounting to KD1,390 thousand (2019: KD Nil) are secured against borrowing (Note 26).

16 Wakala investments

	Effective profit rate % (per annum)			
	2020	2019	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000
Wakala investments				
Placed with local Islamic banks	-	3%	-	1,000
			-	1,000

Notes to the consolidated financial statements (continued)

16 Wakala investments (continued)

Wakala investments of KD14,324 thousand (31 December 2019: KD14,324 thousand) placed by a local subsidiary of the Group with a local Islamic investment company matured in the last quarter of 2008. The investee company defaulted on settlement of these balances on the maturity date. However, revised maturity dates were stipulated by the court. The investee company again defaulted the payment of 2nd, 3rd, 4th and 5th instalments due in September 2014, 2015, 2016 and 2017 respectively. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules. During the previous year, the subsidiary has signed settlement agreement with Investee Company and as per this agreement 50% shares of a local unlisted company (acquired company) have been transferred to the subsidiary.

The acquired company along with other entities are pursuing legal action in order to execute their joint rights as per previous court verdict. The management of the subsidiary is of the opinion that the financial impact of this transaction will be adjusted upon completion of the relevant legal proceedings.

During the previous years, one of the subsidiaries of the Group assumed the financial and legal obligations on wakala investments of KD1,683 thousand (in violation of the Commercial Companies Law of 1960) that the subsidiary company had placed with the above investment company as part of the total wakala investments of KD14,324 thousand in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. As noted above, the amount was fully provided in accordance with Central Bank of Kuwait rules. The subsidiary company initiated legal proceedings against the parties to recover the amount including profits thereon. During 2019 consequent to a court ruling decided in favor of the subsidiary company, the related parties entered into a settlement agreement with the subsidiary company to settle the above amount of KD1,683 thousand. The subsidiary company so far received an amount of KD1,000 thousand as per the settlement schedule and remaining amount of KD683 thousand is due in the year 2021. This has resulted in a reversal of provision on wakala investment amounting to KD800 thousand during the year 2020 (2019: KD200 thousand) in accordance with central bank of Kuwait credit provision rule.

17 Accounts receivable and other assets

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Financial assets		
Net trade receivables (Note 17 b)	**32,130**	28,109
Due from associates and related parties (Note 33)	**5,978**	9,877
Interest and other accrued income	**1,971**	846
Amount due on disposal of investments	**1,907**	299
Retentions and refundable deposits	**1,238**	1,236
Amounts due from a reverse repurchase agreement	**2,500**	-
Other financial assets	**8,151**	8,108
	53,875	48,475
Non-financial assets		
Prepayments and other assets	**3,043**	2,301
	3,043	2,301
	56,918	50,776

a) Trade receivables are non-interest bearing and generally on 30 to 120 days terms.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward-looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Notes to the consolidated financial statements (continued)

17 Accounts receivable and other assets (continued)

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

As at 31 December the aging analysis of trade receivables is as follows:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Neither past due nor impaired	**16,486**	12,029
Past due but not impaired		
- 31 – 90 days	**6,497**	6,800
- more than 90 days	**9,147**	9,280
Net trade receivables	**32,130**	28,109

b) During the year, the Group recognised a net impairment loss of KD834 thousand (2019: KD790 thousand) against accounts receivables and other assets.

18 Inventories

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Finished goods and work-in-progress	**11,598**	17,228
Raw materials and consumables	**19,904**	14,718
Spare parts and others	**3,759**	3,917
Goods in transit	**1,072**	1,586
	36,333	37,449
Provision for obsolete and slow moving inventories	**(1,514)**	(1,501)
	34,819	35,948

19 Financial assets at fair value through profit or loss

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Local quoted shares	**161,871**	188,827
Foreign quoted shares	**44,373**	51,363
Unquoted equity participations	**13,862**	26,414
Quoted debt securities (held in managed portfolios)	**-**	1,326
Local funds	**2,278**	2,557
Foreign managed portfolios and funds	**91,088**	139,927
	313,472	410,414

a) Quoted shares and managed funds, held by the Group, with a fair value of KD91,710 thousand (2019: KD163,476 thousand) are secured against borrowings (Note 26).

b) Foreign managed portfolios and funds include investments in private equity funds with a carrying value of KD88,943 thousand (2019: KD137,655 thousand). Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

20 Financial assets at fair value through other comprehensive income

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Local quoted shares	**8,337**	12,675
Foreign quoted shares	**33,152**	34,958
Local unquoted equity participations	**25,232**	25,321
Foreign unquoted equity participations	**142,582**	107,148
Foreign managed portfolios and funds	**21,615**	23,830
	230,918	203,932

a) These investments are held in equity instruments for medium - to long-term strategic objectives. Accordingly, the management has chosen to identify these investments in equity instruments as financial assets at fair value through other comprehensive income where it is believed that the recognition of short-term fluctuations in the fair value of these financial assets in the consolidated statement of profit or loss will not be consistent with the Group's strategy to hold such investments for long-term purposes and realizing their performance potential in the long term.

b) Quoted shares with a fair value of KD29,788 thousand (2019: KD32,473 thousand) and unquoted shares with a fair value of KD320 thousand (2019: KD96 thousand) are secured against bank borrowings (Note 26).

c) During the year 2016, the Group signed a conditional agreement with a foreign party to sell 10.45% shareholding in K-Electric Limited, one of the Pakistani listed companies involved in the generation, transmission and distribution of electricity. The above shares are held through certain subsidiaries of the Group and have been recorded under financial assets at fair value through other comprehensive income. However, the completion of the sale contemplated in the conditional agreement is further extended during the current period until the receipt of applicable regulatory approvals and satisfaction of other conditions precedent specified therein and therefore profit or loss expected from the above sale has not yet been determined.

21 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Fair value as at 1 January	**60,445**	76,857
Additions	**3,574**	11,018
Disposals	**(1,550)**	-
De-recognition due to disposal of indirect subsidiaries	**-**	(26,737)
Changes in fair value	**(2,243)**	(729)
Foreign currency translation	**34**	36
	60,260	60,445

Notes to the consolidated financial statements (continued)

21 Investment properties (continued)

Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Kuwait	**49,394**	49,117
Saudi	**8,022**	7,742
Jordan	**505**	504
UAE	**1,435**	2,211
London	**904**	871
Total	**60,260**	60,445

a) Investment properties are stated at fair value, which has been determined based on valuations performed by independent valuers (Note 34.4 for details).

b) Investments properties amounting to KD39,885 thousand (2019: KD42,479 thousand) are secured against borrowings (Note 26).

22 Investment in associates

Details of the Group's material associates at the end of the reporting period are as follows:

	Country of registration and principal place of business	Nature of business	Percentage ownership 31 Dec. 2020	Percentage ownership 31 Dec. 2019
Meezan Bank Ltd – (Quoted)	Pakistan	Islamic banking	**35**	35
Privatization Holding Company – KPSC (Quoted)	Kuwait	Financial services	**36**	36
Kuwait Cement Company – KPSC (Quoted)	Kuwait	Industrial	**27**	27
Mabanee Company - KPSC - (Quoted) (22.3)	Kuwait	Real estate	**18**	18

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balance as at 1 January	**324,781**	317,462
Additions during the year	**5,626**	2,997
Share of results	**5,517**	15,767
Disposal/capital reduction	**(1,328)**	(5,217)
Share of other comprehensive (loss)/income	**(9,154)**	9,971
Dividend distribution	**(8,759)**	(9,619)
Foreign currency translation adjustment	**(1,176)**	(3,804)
Impairment in value (Note 22.4)	**-**	(7,748)
Net additions due to deconsolidation of indirect subsidiaries	**-**	5,536
Other adjustments	**95**	(564)
Balance at the end of the year	**315,602**	324,781

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

22.1 All of the above named associates are accounted for using the equity method in these consolidated financial statements.

22.2 A major portion of an associate with a carrying value of KD132,727 thousand (31 December 2019: KD152,921 thousand) is kept in custody portfolio accounts with specialised institutions. This is against a Murabaha facility and a loan amounting to KD68,941 thousand (31 December 2019: KD69,866 thousand) and KD25,000 thousand (31 December 2019: KD25,000 thousand) respectively.

22.3 Although the Group owns 18% of the investee, the Group exercises significant influence over the associate by way of board representation.

22.4 Investment in associates includes quoted associates with a carrying value of KD291,999 thousand (31 December 2019: KD305,416 thousand) having quoted market value of KD283,194 thousand at 31 December 2020 (31 December 2019: KD314,017 thousand) based on published quotes. In accordance with IAS 36 "Impairment of Assets" the Group's recoverable amount of these associates (which represent the higher of fair value less costs to sell, and value in use) was in excess of their carrying value and accordingly no impairment was recognised against these investments during the year ended 31 December 2020 (31 December 2019: KD7,748 thousand).

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates named above, are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates (and not the Groups share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

	*Mabanee Company – KPSC**		*Kuwait Cement Company – KPSC*		*Meezan Bank Ltd.**		*Privatization Holding Company – KPSC*	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	KD '000	KD '000	**KD '000**	KD '000	**KD '000**	KD '000	**KD '000**	KD '000
As at 31 December								
Total assets	**1,302,131**	1,336,763	**278,562**	315,980	**2,884,284**	2,203,582	**123,154**	128,337
Total liabilities	**(409,767)**	(418,195)	**(103,016)**	(106,653)	**(2,745,921)**	(2,080,732)	**(46,140)**	(40,934)
Non-controlling interests	**(66,972)**	(66,023)	**(148)**	(164)	**(2,389)**	(2,289)	**(568)**	(908)
Equity attributable to the owners of the associate	**825,392**	852,545	**175,398**	209,163	**135,974**	120,561	**76,446**	86,495
For the year ended 31 December								
Revenue	**22,083**	59,790	**42,465**	81,819	**201,399**	184,485	**4,364**	10,395
(Loss)/profit for the year attributable to shareholders	**(14,415)**	29,497	**(18,179)**	4,017	**42,316**	30,496	**(4,325)**	(195)
Other comprehensive income/(loss) for the year	**376**	(86)	**(12,838)**	22,532	**(7,215)**	18,666	**(2,463)**	(495)
Total comprehensive (loss)/income for the year	**(14,039)**	29,411	**(31,017)**	26,549	**35,101**	49,162	**(6,788)**	(690)
Dividends received from the associate during the year	**2,612**	2,113	**962**	2,886	**4,980**	3,883	**-**	-
As at 31 December								
Net assets of the associate attributable to the shareholders of the associate	**825,392**	852,545	**175,398**	209,163	**135,974**	120,561	**76,446**	86,495
Proportion of the Group's ownership interest	**17.90%**	17.90%	**27.16%**	27.16%	**35.25%**	35.25%	**35.82%**	35.82%
Interest in the associate	**147,745**	152,606	**47,638**	56,809	**47,931**	42,496	**27,383**	30,983
Goodwill	**10,496**	10,496	**14,893**	14,893	**4,189**	4,226	**-**	-
Impairment in value	**-**	-	**(4,706)**	(4,706)	**-**	-	**(2,564)**	(2,564)
Other adjustments	**(489)**	(467)	**3,416**	3,828	**-**	-	**(2,661)**	(4,564)
Carrying value of the investment	**157,752**	162,635	**61,241**	70,824	**52,120**	46,722	**22,158**	23,855
Fair value of the Group's interests in the quoted associates which are based on the quoted market prices available on the respective Stock Exchanges, which are Level 1 Inputs in terms of IFRS 13.	**129,374**	168,707	**45,611**	48,997	**98,402**	84,389	**8,741**	10,817

*Has been adjusted for the differences in accounting policies between Group and the associate.

Notes to the consolidated financial statements (continued)

22 Investment in associates (continued)

Summarised financial information of material associates (continued)
Aggregate information of associates that are not individually material to the Group;

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Group share of results for the year	**(332)**	(1,284)
Group share of other comprehensive loss	**(3,485)**	(2,536)
Group share of total comprehensive loss	**(3,817)**	(3,820)
Aggregate carrying value of the Group interest in associates	**22,331**	20,745
Aggregate Impairment in value of associates during the year	**-**	(478)
Aggregate dividend received from the associates during the year	**205**	737

Group's share of associates' contingent liabilities:

a) The Group's share of associates' contingent liabilities amounted to KD146,681 thousand (2019: KD129,566 thousand). This includes the Group's share of contingent liabilities related to a foreign bank (Meezan Bank Ltd.) which amounted to KD126,163 thousand (2019: KD94,689 thousand).

b) The local income tax authority in Pakistan has raised a demand requesting Mezzan Bank Limited, an associate of one of the subsidiaries of the Group, to pay additional tax amounting to KD3.4 million (subsidiary's share KD1.2 million) for prior years. The associate has obtained a stay order against this demand and has also filed appeals with the relevant Appellate Authorities. Subsidiary's management, in consultation with tax advisors, is confident that the decision in respect of this matter would be in subsidiary's favour and, accordingly, no provision is made in these consolidated financial statements with respect thereto.

Notes to the consolidated financial statements (continued)

23 Property, plant and equipment

Year ended 31 December 2020

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2020	3,652	22,988	276	35,600	117,468	15,857	13,081	2,855	11,007	222,784
Foreign exchange and other adjustments	-	135	3	-	1,219	6	-	36	-	1,399
Effect of disposal group classified as held for sale	(1,469)	-	-	(2,424)	(7,800)	(152)	(87)	-	(346)	(12,278)
Transfers from capital work-in progress	-	-	-	966	636	-	-	-	(1,602)	-
Additions	-	488	1	222	2,205	212	694	40	9,480	13,342
Disposals	-	-	-	(405)	(1,060)	(543)	(46)	-	-	(2,054)
At 31 December 2020	2,183	23,611	280	33,959	112,668	15,380	13,642	2,931	18,539	223,193
Accumulated depreciation and impairment losses										
At 1 January 2020	-	7,189	218	27,235	71,866	12,772	10,179	2,148	-	131,607
Foreign exchange and other adjustments	-	(82)	(13)	-	958	(10)	121	35	-	1,009
Charge for the year	-	687	36	915	4,094	719	546	85	-	7,082
Effect of disposal group classified as held for sale	-	-	-	(700)	(3,757)	(152)	(41)	-	-	(4,650)
Relating to disposals	-	-	-	(405)	(1006)	(542)	(46)	-	-	(1,999)
At 31 December 2020	-	7,794	241	27,045	72,155	12,787	10,759	2,268	-	133,049
Net book value										
At 31 December 2020	2,183	15,817	39	6,914	40,513	2,593	2,883	663	18,539	90,144

Properties on lease hold land are on lands which have been leased from the government of Kuwait through renewable lease contracts.

Property under construction mainly represents the cost incurred, on the expansion of some of the subsidiaries existing factories and the construction of a manufacturing lines by a subsidiary. During the prior years, portions of the manufacturing lines which were completed and ready for intended use were capitalised in the appropriate categories. The costs relating to the remaining manufacturing lines and facilities will be transferred to the appropriate asset categories when the assets are ready for their intended use.

Notes to the consolidated financial statements (continued)

23 Property, plant and equipment (continued)

Property plant and equipment with a carrying value of KD11,330 thousand (2019: KD10,835 thousand) are secured against borrowings (Note 26).

Year ended 31 December 2019

	Land KD '000	Freehold properties KD '000	Leasehold properties KD '000	Properties on leasehold land KD '000	Plant and machineries KD '000	Motor vehicles KD '000	Furniture and equipment KD '000	Leased plant, machinery and vehicles KD '000	Properties under construction KD '000	Total KD '000
Cost or valuation										
At 1 January 2019	3,653	21,901	608	35,512	109,881	15,474	14,359	2,637	7,745	211,770
Foreign exchange and other adjustments	(1)	484	18	(345)	3,465	134	(2,543)	235	(9)	1,438
Additions/transfer	-	603	3	433	4,166	264	1,338	-	3,271	10,078
Disposals	-	-	(353)	-	(44)	(15)	(73)	(17)	-	(502)
At 31 December 2019	3,652	22,988	276	35,600	117,468	15,857	13,081	2,855	11,007	222,784
Accumulated depreciation and impairment losses										
At 1 January 2019	-	6,619	76	26,369	64,571	11,920	11,390	1,949	-	122,894
Foreign exchange and other adjustments	-	(287)	13	227	3,187	115	(2,234)	119	-	1,140
Charge for the year	-	857	129	639	4,141	752	566	80	-	7,164
Impairment	-	-	-	-	-	-	530	-	-	530
Relating to disposals	-	-	-	-	(33)	(15)	(73)	-	-	(121)
At 31 December 2019	-	7,189	218	27,235	71,866	12,772	10,179	2,148	-	131,607
Net book value										
At 31 December 2019	3,652	15,799	58	8,365	45,602	3,085	2,902	707	11,007	91,177

Notes to the consolidated financial statements (continued)

24 Goodwill and other intangible assets

24.1 Goodwill

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balance at 1 January	**9,418**	8,562
Additions	**-**	885
Foreign exchange adjustment	**238**	(29)
	9,656	9,418

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill of KD2,029 thousand (2019: KD2,029 thousand) and KD7,627 thousand (2019: KD7,389 thousand) has been allocated to the IT service business and specialist engineering unit of the Group, respectively as these are the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rates	Anticipated average growth rate of 0% to 3% (2019: 0% to 4%) per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 0% to 3% (2019: 0% to 4%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Discount rates	Discount rates of 4.8% to 17.5% (2019: 6.4% to 14%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired.

Notes to the consolidated financial statements (continued)

24 Goodwill and other intangible assets (continued)

24.2 Intangible assets – Indefeasible right of use (IRU)

Intangible asset comprises of indefeasible right of use (IRU) to a telecommunication asset arising from a subsidiary and the movement is as follows:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Cost		
At the beginning of the year	**3,268**	3,268
Addition	**191**	-
Balance at the end of the year	**3,459**	3,268
Accumulated amortization and impairment		
At the beginning of the year	**(3,134)**	(1,905)
Impairment in value of intangible assets*	**-**	(945)
Charge for the year	**(134)**	(284)
At the end of the year	**(3,268)**	(3,134)
Net book value at the end of the year	**191**	134
Total goodwill and intangible assets	**9,847**	9,552

* During the previous year, the management has performed an impairment assessment of the intangible assets and as a result recognised an impairment of KD945 thousand based on the recoverable value of the intangible assets based on fair value approach.

25 Accounts payable and other liabilities

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Financial liabilities		
Trade payables	**20,370**	18,653
Accrued interest	**2,225**	2,760
Dividend payable	**2,435**	1,809
Leasing liabilities	**9,758**	6,303
Due to associates and related parties (Note 33)	**540**	2,264
Provision for cost of gas usage for previous years (a)	**2,700**	2,700
Provision for taxation (b)	**11,230**	12,715
Staff payables	**3,015**	2,577
Amounts due to non-controlling interests on capital reduction of a subsidiary	**942**	957
Other accruals	**7,026**	5,889
Liabilities included under assets held for sale (note 7.4.a)	**536**	-
Other liabilities	**11,566**	10,521
	72,343	67,148
Non-financial liabilities		
Other creditors	**593**	2,042
	593	2,042
	72,936	69,190

Notes to the consolidated financial statements (continued)

25 Accounts payable and other liabilities (continued)

a This represents provision for cost of gas usage by one of the local subsidiaries of the Group amounting to KD2,700 thousand. During the year 2016, above subsidiary received a letter from a government owned entity which supplies gas to one of the factories of the subsidiary demanding payment for usage of gas for 2004 till 2011. The subsidiary rejected this claim on several grounds and the supplier filed a legal case against the subsidiary claiming its right to recover the amount. The court in its first hearing transferred the case to the Expert's department. Subsequently, the court issued a ruling ordering the subsidiary to pay an amount of USD9,300 thousand to the plaintiff. Accordingly, the subsidiary recorded a provision against this liability during the year ended 31 December 2016. Further, the subsidiary appealed the ruling and the judgment is still pending.

b The balance as of 31 December 2019 includes an amount of KD1,578 thousand which represents a potential tax liability of one of the local subsidiaries of the Group on dividend income received in previous years from foreign entities located in a GCC country (at the rate of 5%). No tax claims or assessments have been made by any regulatory authority as of date. However, based on advice received from consultants and other information available to the subsidiary's management, on a conservative basis, the Subsidiary provided for the above amount in a previous year. The local subsidiaries' management believes that a possibility of an outflow of resources to settle these amounts is remote and accordingly has decided to reverse the provision of KD1,578 made in previous years.

26 Borrowings and bonds

	Effective Interest rate	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Borrowings			
Short term			
Short term conventional loans	**1.19% - 3.78%**	**71,675**	150,739
Short term Islamic financing arrangements	**3.5% - 3.5%**	**13,897**	14,128
		85,572	164,867
Long term			
Long term conventional loans	**1.4% - 5.16%**		
- Current portion		**153,929**	123,218
- Due after more than one year		**198,173**	201,996
Long term Islamic financing arrangements	**2.0% - 4.25%**		
- Current portion		**104,958**	33,144
- Due after more than one year		**14,558**	80,378
		471,618	438,736
Total borrowings		**557,190**	603,603
Bonds (Note 26 c)		**55,000**	25,000
Total borrowings and bonds		**612,190**	628,603

a As of 31 December 2020, total borrowings include an amount of KD74,061thousand and KD23,185 thousand (2019: KD124,015 thousand and KD16,283 thousand) denominated in US Dollars and other foreign currencies respectively.

Notes to the consolidated financial statements (continued)

26 Borrowings and bonds (continued)

b As at 31 December 2020, total borrowings amounting to KD194,194 thousand (31 December 2019: KD242,347 thousand) are secured against cash and cash equivalents (Note 15 b), financial assets at fair value through profit and loss (Note 19 a), financial assets at fair value through other comprehensive income (Note 20 b), investment properties (Note 21 b) and property plant and equipment (Note 23).

Bonds

c During the year 2016, the Parent Company issued floating rate bonds of KD25,000 thousand at face value maturing on 20 December 2021. The bonds holders benefit from certain uncollateralized financial assets at fair value through other comprehensive income and investment in subsidiary through one of the local subsidiaries of the Group to ensure repayment.

During the year, the Parent Company issued unsecured bonds of KD30,000 thousand in two series composed of KD22,400 thousand fixed rate bonds and KD7,600 thousand floating rate bonds at face value maturing on 11 February 2025.

27 Provisions

	31 Dec. 2020 KD'000	31 Dec. 2019 KD '000
Pension liability	**1,634**	881
Provision for staff indemnity	**13,151**	12,749
Provision for land-fill expenses	**511**	483
	15,296	14,113

28 Share capital and share premium

a) As of 31 December 2020, authorized issued and fully paid share capital in cash of the Parent Company comprised of 1,427,845,728 shares of 100 Fils each (31 December 2019: 1,427,845,728 shares).

b) Share premium is not available for distribution.

29 Treasury shares

	31 Dec. 2020	31 Dec. 2019
Number of shares	**36,535,880**	36,535,880
Percentage of issued shares	**2.56%**	2.56%
Market value (KD '000)	**6,430**	8,805
Cost (KD'000)	**30,375**	30,375

Reserves of the Parent Company equivalent to the cost of the treasury shares have been earmarked as non-distributable.

As at 31 December 2020, an associate company of the Group held equivalent to 9.8% (2019: 9.8%) of the Parent Company's shares issued.

Notes to the consolidated financial statements (continued)

30 Cumulative changes in fair value and other components of equity

a) Cumulative changes in fair value

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balance at 1 January	**20,938**	21,679
Other comprehensive income:		
Share of other comprehensive (loss)/ income of associates		
- Changes in fair value	**(7,605)**	6,929
Net changes in fair value of investments in equity instruments designated at FVOCI	**25,167**	(7,405)
Other comprehensive income/(loss) for the year	**17,562**	(476)
Realised loss on equity investments at FVOCI	**(2,031)**	(265)
Balance at 31 December	**36,469**	20,938

b) Other components of equity

	Statutory reserve KD '000	General reserve KD '000	Gain on Sale of treasury shares reserve KD '000	Foreign currency translation reserve KD '000	Total KD '000
Balances as at 31 December 2019	**19,950**	**6,382**	**18,452**	**(12,524)**	**32,260**
Transactions with owners:					
Currency translation differences	-	-	-	**556**	**556**
Other comprehensive income	-	-	-	**556**	**556**
Balances as at 31 December 2020	**19,950**	**6,382**	**18,452**	**(11,968)**	**32,816**
Balances at 31 December 2018	15,011	1,443	18,452	(11,079)	23,827
Transactions with owners:					
Currency translation differences	-	-	-	(2,242)	(2,242)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	-	-	-	797	797
Other comprehensive loss	-	-	-	(1,445)	(1,445)
Reserve transfers	4,939	4,939	-	-	9,878
Balances at 31 December 2019	19,950	6,382	18,452	(12,524)	32,260

Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid up share capital. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

Notes to the consolidated financial statements (continued)

30 Cumulative changes in fair value and other components of equity (continued)

General reserve
In accordance with the Parent Company's Articles of Association, a certain percentage of the profit for the year before KFAS, NLST, Zakat and directors' remuneration but after Non-controlling interests is to be transferred to the general reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Group has incurred a loss or where accumulated losses exist.

31 Non-controlling interests

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Balance at 1 January	**130,666**	143,662
Dividend paid to non-controlling interests by the subsidiaries	**(2,940)**	(8,195)
Adjustments arising on capital reduction of a subsidiary*	**(1,860)**	(3,041)
Other net changes in non-controlling interests	**(1,964)**	(4,822)
Decrease in non-controlling interest on disposal of indirect subsidiaries**	**-**	(6,264)
Transactions with non-controlling interests	**(6,764)**	(22,322)
Profit for the year	**5,551**	7,005
Other comprehensive income :		
Exchange differences arising on translation of foreign operations	**(598)**	(1,848)
Exchange differences transferred to consolidated statement of profit or loss on partial disposal of an associate	**-**	750
Share of other comprehensive (loss)/income of associates	**(1,549)**	3,042
Net changes in fair value of investments in equity instruments designated at FVOCI	**9,007**	377
Total other comprehensive income for the year	**6,860**	2,321
Total comprehensive income for the year	**12,411**	9,326
Balance at 31 December	**136,313**	130,666

* During the year, the shareholders of one of the local subsidiaries of the Group, decided to decrease its share capital by KD6,694 thousand out of which KD1,860 thousand pertains to non-controlling interests during the year.

** During the previous year, as a result of loss in control over certain indirect subsidiaries, the Group de-recognised non-controlling interests amounting to KD6,264 thousand (Note 7.4).

Notes to the consolidated financial statements (continued)

32 Segmental analysis

The Group activities are concentrated in four main segments: investment, building material, specialist engineering and hotel and IT operations. The segments' results are reported to the higher management in the Group. In addition, the segments results, assets and liabilities are reported based on the geographic locations which the Group operates in.

Geographical segments

The geographical analysis is as follows;

	Assets		Sales	
	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000	**Year ended 31 Dec. 2020 KD '000**	Year ended 31 Dec. 2019 KD '000
Kuwait	**642,927**	686,706	**46,937**	59,194
Outside Kuwait	**544,412**	557,838	**62,962**	73,043
	1,187,339	1,244,544	**109,899**	132,237

Notes to the consolidated financial statements (continued)

32 Segmental analysis (Continued)

The following is the segments information, which conforms with the internal reporting presented to management:

	Investment		Building materials		Specialist engineering and chemical		Hotel and IT services		Total	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000 (Restated)	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000 (Restated)	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000 (Restated)
Segment revenue	**(9,350)**	112,791	**36,193**	48,191	**60,398**	70,479	**13,307**	13,390	**100,548**	244,851
Less:										
Loss/(income) from investments									**18,307**	(90,626)
Changes in fair value of investment properties									**2,243**	729
Share of result of associates									**(5,517)**	(15,767)
Profit on disposal of associates									**-**	(1,576)
Rental income									**(1,950)**	(2,477)
Profit from disposal of investment properties									**(350)**	-
Interest and other income									**(3,382)**	(3,074)
Sales, per consolidated statement of profit or loss									**109,899**	132,060
Segment (loss)/profit	**(23,186)**	88,073	**210**	3,014	**375**	(419)	**(27)**	200	**(22,628)**	90,868
Less:										
Finance costs									**(23,761)**	(30,745)
Other unallocated loss									**(765)**	(1,065)
(Loss)/profit before foreign taxation									**(47,154)**	59,058
Segment assets	**975,673**	1,049,826	**78,787**	77,109	**122,170**	104,309	**10,709**	13,300	**1,187,339**	1,244,544
Segment liabilities	**(29,235)**	(34,179)	**(28,552)**	(25,514)	**(24,346)**	(17,632)	**(6,099)**	(5,978)	**(88,232)**	(83,303)
Segment net assets	**946,438**	1,015,647	**50,235**	51,595	**97,824**	86,677	**4,610**	7,322	**1,099,107**	1,161,241
Borrowings, bonds and due to banks									**(635,885)**	(652,572)
Total equity, per consolidated statement of financial position									**463,222**	508,669

Notes to the consolidated financial statements (continued)

32 Segmental analysis (Continued)

Property, plant and equipment of the Group are primarily utilised by the building materials segment, hotel & IT services segment and the specialist engineering segment. The additions and depreciation relating to property, plant and equipment along with impairment in values by each segment, in which the assets are used, are as follows:

	Investment KD '000	Building materials KD '000	Specialist engineering and chemical KD '000	Hotel and IT services KD '000	Total KD '000
At 31 December 2020					
Additions to property, plant and equipment	**304**	**2,028**	**10,877**	**133**	**13,342**
Depreciation	**31**	**4,014**	**3,470**	**473**	**7,988**
At 31 December 2019					
Additions to property, plant and equipment	441	3,338	6,299	-	10,078
Depreciation and impairments	875	4,412	4,054	248	9,589
Impairment in value Goodwill and other intangible assets	-	-	-	945	945

33 Related party transactions

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

Details of significant related party transactions and balances are as follows:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Balances included in the consolidated statement of financial position:		
Due from related parties (included in accounts receivable and other assets)		
- Due from associate companies	**4,986**	7,817
- Due from key managements personal	**70**	70
- Due from other related parties	**922**	1,990
Due to related parties (included accounts payable and other liabilities)		
- Due to associates	**20**	416
- Due to other related parties	**520**	1,848
Transactions with related parties:		
Development and construction costs	**224**	3,052
Retained Investment property of the disposed subsidiaries as a part of the disposal consideration	-	2,890
Cash consideration received for disposal of subsidiary	-	3,000
Proceeds from disposal of an associate		
-Transfer of investment at FVOCI	-	168
- Transfer of investment property	-	667
- Cash consideration	-	32

Notes to the consolidated financial statements (continued)

33 Related party transactions (continued)

	Year ended 31 Dec. 2020 KD '000	Year ended 31 Dec. 2019 KD '000
Transactions included in the consolidated statement of profit or loss:		
Purchase of raw materials – from associates	**1,428**	3,314
Impairment in value of accounts receivable and other assets	**-**	337
Compensation of key management personnel of the Group		
Short term employee benefits	**4,352**	4,449
Board of Directors' and committee remuneration including subsidiaries	**495**	1,271
End of service benefits	**178**	246
Cost of share-based payments	**260**	242
	5,285	6,208

34 Summary of financial assets and liabilities by category and fair value measurement

34.1 Categories of financial assets and liabilities

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

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Financial assets:		
At amortised cost:		
• Bank balances and cash	**50,011**	31,798
• Short term deposits	**9,394**	18,189
• Wakala investments	**-**	1,000
• Accounts receivable and other financial assets (Note 17)	**53,875**	48,475
	113,280	99,462
At fair value:		
• Financial assets at fair value through profit or loss (Note 19)	**313,472**	410,414
• Financial assets at fair value through other comprehensive income (Note 20)	**230,918**	203,932
	544,390	614,346
Total financial assets	**657,670**	713,808
Financial liabilities:		
At amortised cost:		
• Due to banks	**23,695**	23,969
• Accounts payable and other financial liabilities (Note 25)	**72,343**	67,148
• Borrowings and bonds	**612,190**	628,603
	708,228	719,720

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.2 Fair value measurement

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets at fair value though profit or loss, financial assets at fair value through other comprehensive income are carried at fair value and measurement details are disclosed in note 34.3 to the consolidated financial statements. In the opinion of the Group's management, the carrying amounts of all other financial assets and liabilities which are at amortised costs are considered a reasonable approximation of their fair values.

The Group also measures non-financial asset such as investment properties at fair value at each annual reporting date (Note 34.4).

34.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

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

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

At 31 December 2020

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	206,244	-	-	206,244
-Unquoted equity participations	b	-	156	13,706	13,862
-Managed portfolios and funds	c	-	3,763	89,603	93,366
Financial assets at FVOCI					
-Quoted shares	a	41,489	-	-	41,489
-Unquoted equity participations	b		79,329	88,485	167,814
-Managed portfolios and funds	c	-	499	21,116	21,615
		247,733	83,747	212,910	544,390

Notes to the consolidated financial statements (continued)

34 Summary of financial assets and liabilities by category (continued)

34.3 Fair value hierarchy (continued)

At 31 December 2019

	Note	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total Balance KD'000
Assets at fair value					
Financial assets at FVTPL					
-Quoted shares	a	240,190	-	-	240,190
-Quoted debt securities	a	1,326	-	-	1,326
-Unquoted equity participations	b	-	13,371	13,043	26,414
-Managed portfolios and funds	c	-	4,169	138,315	142,484
Financial assets at FVOCI					
-Quoted shares	a	47,633	-	-	47,633
-Unquoted equity participations	b	-	36,336	96,133	132,469
-Managed portfolios and funds	c	-	5,694	18,136	23,830
		289,149	59,570	265,627	614,346

Measurement at fair value

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximizing the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous reporting year.

a) Quoted shares and debt instruments (Level 1 and 3)

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques (Level 3).

b) Unquoted equity participations (Level 2 and 3)

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

c) Managed portfolios and funds

Private equity funds (Level 3)

The underlying investments in these private equity funds mainly represent foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Other managed portfolios and funds (Level 2 and 3)

The underlying investments of international managed portfolios and funds represent quoted and unquoted securities. They are valued based on periodic reports received from the portfolio/fund managers.

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.3 Fair value hierarchy (continued)

Level 3 Fair value measurements

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

	31 Dec. 2020 KD'000	31 Dec. 2019 KD'000
Opening balance	**265,627**	236,471
Net change in fair value	**964**	31,724
Net disposal during the year	**(53,681)**	(2,568)
Closing balance	**212,910**	265,627

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.3 Fair value hierarchy (continued)

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial assets	Fair value as at 31 Dec. 2020 KD'000	Fair value as at 31 Dec. 2019 KD'000	Fair value hierarchy	Valuation technique	Significant unobservable Input	Sensitivity of the fair value measurement to the input	Range
Financial assets at FVTPL:							
Unquoted equity participations	**13,706**	13,043	3	Adjusted NAV	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Managed portfolios and funds	**89,603**	138,315	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A
Financial assets at FVOCI:							
Unquoted equity participations	**88,485**	96,133	3	Adjusted NAV basis/ DCF method/ market multiples	Long term growth rate for cash flows for subsequent years	Higher the growth rate, higher the fair value	2.4% - 3.0%
					WACC	Higher the WACC, lower the value	15.22% - 16.32%
					Discount for lack of marketability	Higher the discount rate, lower the value	15% - 40%
Managed portfolios and funds	**21,116**	18,136	3	NAV reported by investment manager	Fair market value of the underlying assets	Higher the FMV of the assets, higher the value	N/A

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

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

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

34.4 Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured level 3 of fair value hierarchy on a recurring basis at 31 December 2020 and 2019.

	31 Dec. 2020 KD'000 Level 3	31 Dec. 2019 KD'000 Level 3
Investment properties		
- Lands and buildings in Kuwait	**43,570**	46,417
- Lands and buildings in Saudi Arabia	**4,376**	4,772
- Lands and buildings in UAE	**305**	313
- Properties under development	**3,646**	2,970
- Lands in UAE	**1,130**	1,898
- Lands in Jordan	**505**	504
- Lands in Kuwait	**5,824**	2,700
- Building in London	**904**	871
	60,260	60,445

The above buildings mainly represent rental properties on freehold land categorized as "Investment Lands" (i.e land which can be used to construct multiple residential unit buildings, apartments, villas, duplex and studios), in Kuwait, UAE, London and Saudi Arabia. The freehold lands above also mainly represent lands categorized as investment lands. The fair value of the investment properties has been determined based on valuations obtained from independent valuators (two evaluator's for local properties and one evaluator for foreign properties), who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management. One of these valuators is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the yield method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuator who is a local/foreign reputable valuator has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used, adjustments have been incorporated for factors specific to the land in question, including plot size, location, construction/development cost and current use. For the valuation purpose for properties in Kuwait, the Group has selected the lower value of the two valuations (2019: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

Notes to the consolidated financial statements (continued)

34 Summary of assets and liabilities by category (continued)

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

	Fair value as at 31 Dec. 2020 KD'000	Fair value as at 31 Dec. 2019 KD'000	Valuation technique	Significant unobservable input	Relationship of unobservable inputs to fair value	Range of unobservable inputs
Land and buildings in Kuwait, UAE and Saudi Arabia	**51,897**	54,472	Yield method and Market comparison approach for land and cost less depreciation for buildings	Estimated marker price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2020: KD950 to KD7,774** (2019: KD1,148 to KD7,900)
				Construction cost (per sqm)	The higher the construction cost per square meter, the higher the fair value	**2020: KD68 to KD762** (2019: KD34 to KD740)
				Average monthly rent (per sqm)	The higher the rent per square meter, the higher the fair value	**2020: KD3.8 to KD155.7** (2019: KD2.4 to KD140.37)
				Yield rate	The higher the yield rate per square meter, the higher the fair value	**2020: 6.61% to 10%** (2019: 6.26% to 13.94%)
				Vacancy rate	The higher the vacation rate, the lower the value	**2020: 10%-15%** (2019: 10%)
Freehold lands Kuwait, UAE and Jordan	**7,459**	5,102	Market comparison approach	Estimated market price for land (per sqm)	The higher the price per square meter, the higher the fair value	**2020: KD55 to KD1,100** (2019: KD38 to KD1,150)
Building in London	**904**	871	Yield method	Average monthly rent (per sqm)	The higher the rent per square meter, the higher the fair value	**2020: KD19.03** (2019: KD11.85)
				Yield rate	The higher the yield rate, the lower the value	**2020: 6.89%** (2019: 6.11%)
				Vacancy rate	The higher the vacancy rate the lower the fair value	**2020: 0%** (2019: 10%)

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in Note 21.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies

The Group's financial liabilities comprise due to banks, short term and long term borrowings and bond, leasing creditors and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for Group operations. The Group has various financial assets such as accounts receivable and other assets, bank balance and cash, wakala and sukuk investments, short term deposits and investments and investment securities which arise directly from operations.

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

The Board of Directors sets out policies for reducing each of the risks discussed below.

The Group also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's sources of finance. The Group's policy is not to trade in derivative financial instruments.

35.1 Market risk

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

a) Foreign currency risk

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

The Group mainly operates in the Middle East, USA and United Kingdom and is exposed to foreign currency risk arising, primarily from US Dollar and Saudi Riyal. The consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the consolidated open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	31 Dec. 2020 ***Equivalent*** **KD '000**	31 Dec. 2019 *Equivalent* KD '000
US Dollars	**(46,382)**	(85,300)
Saudi Riyals	**17,223**	15,734

The Parent Company's management estimates that a reasonable possible change in the above exchange rate would be 5%.

If the Kuwaiti Dinar had strengthened against the foreign currencies assuming the above sensitivity (5%), then this would have the following impact on the profit for the year. There is no impact on the Group's other comprehensive income.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.1 Market risk (continued)

a) Foreign currency risk (continued)

	Impact on (loss)/profit	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
US Dollars	**2,319**	4,261
Saudi Riyals	**(861)**	(787)
	1,458	3,474

If the Kuwaiti Dinar had weakened against the foreign currencies assuming the above sensitivity (5%), then there would be an equal and opposite impact on the profit for the year, and the balances shown above would be negative for US Dollars and positive for Saudi Riyals.

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

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is exposed to interest rate risk on its short term deposits (Note 15), borrowings and bonds (Note 26) and due to banks (Note 15) which are both at fixed and floating interest rates. The risk is managed by the Group by managing an appropriate mix between fixed and floating rate, short term deposits and borrowings.

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

The following table illustrates the sensitivity of the profit for the year to reasonable possible change of interest rate of +25 (0.25%) and -75 (0.75%) basis points with effect from the beginning of the year. The calculation is based on the Group's financial instruments held at each reporting date. All other variables are held constant. There is no impact on Group's other comprehensive income.

	Increase in interest rates		Decrease in interest rates	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000
Effect on (loss)/profit for the year	**(1,441)**	(1,504)	**4,324**	4,512

c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, Jordan, Bahrain, Abu Dhabi, Saudi Arabia, Egypt, Pakistan and USA. Equity investments are classified either as "financial assets at fair value through profit or loss" or "financial assets at fair value through other comprehensive income".

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits determined by the Group.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.1 Market risk (continued)

c) Equity price risk (continued)

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the profit for the year and other comprehensive income for the year ended 31 December would have been as follows:

A positive number below indicates an increase profit and other comprehensive income where the equity prices increase by 10%. All other variables are held constant.

	(loss)/profit for the year		Other comprehensive income	
	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000	**31 Dec. 2020 KD '000**	31 Dec. 2019 KD '000
Financial assets at FVTPL	**20,624**	24,019	**-**	-
Financial assets at FVOCI	**-**	-	**4,149**	4,763
	20,624	24,019	**4,149**	4,763

For a 10% decrease in the equity prices there would be an equal and opposite impact on the (loss)/profit for the year and other comprehensive income and the amounts shown above would be negative.

35.2 Credit risk

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

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

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Bank balances and cash	**50,011**	31,798
Short term deposits	**9,394**	18,189
Wakala investments	**-**	1,000
Accounts receivable and other assets (Note 17)	**53,875**	48,475
Financial assets at fair value through profit or loss	**313,472**	410,414
Financial assets at fair value through other comprehensive income	**230,918**	203,932
	657,670	713,808

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by Group, and incorporate this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. None of the above financial assets are past due nor impaired except for certain wakala investments (Note 16) and account receivable and other asset (Note 17) respectively. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.2 Credit risk (continued)

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for bank balances and short term deposits is considered negligible, since the counterparties are reputable financial institution with high credit quality. Information on other significant concentrations of credit risk is set out in Note 35.3.

35.3 Concentration of assets

The distribution of financial assets by geographic region was as follows:

	Kuwait KD '000	Other Middle Eastern Countries KD '000	Asia and Africa KD '000	UK and Europe KD '000	USA KD '000	Total KD '000
At 31 December 2020						
Geographic region:						
Bank balances and cash	**20,265**	**17,172**	**67**	**11,818**	**689**	**50,011**
Short term deposits	**9,234**	**160**	**-**	**-**	**-**	**9,394**
Accounts receivable and other assets	**22,040**	**21,643**	**2,894**	**6,578**	**720**	**53,875**
Financial assets at FVTPL	**177,076**	**38,820**	**13,426**	**14,831**	**69,319**	**313,472**
Financial assets at FVOCI	**43,448**	**97,546**	**77,560**	**1,665**	**10,699**	**230,918**
	272,063	**175,341**	**93,947**	**34,892**	**81,427**	**657,670**
At 31 December 2019						
Geographic region:						
Bank balances and cash	22,701	4,147	42	4,583	325	31,798
Short term deposits	18,122	67	-	-	-	18,189
Wakala investments	1,000	-	-	-	-	1,000
Accounts receivable and other assets	18,447	20,799	2,623	5,974	632	48,475
Financial assets at FVTPL	202,654	74,465	1,754	8,684	122,857	410,414
Financial assets at FVOCI	39,170	107,643	42,964	1,777	12,378	203,932
	302,094	207,121	47,383	21,018	136,192	713,808

35.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements (continued)

35 Risk management objectives and policies (continued)

35.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	At 31 December 2020			At 31 December 2019		
	1 year KD '000	Over 1 year KD '000	Total KD '000	1 year KD '000	Over 1 year KD '000	Total KD '000
ASSETS						
Bank balances and cash	**50,011**	**-**	**50,011**	31,798	-	31,798
Short term deposits	**9,394**	**-**	**9,394**	18,189	-	18,189
Wakala investments	**-**	**-**	**-**	1,000	-	1,000
Assets classified as held for sale	**6,312**	**-**	**6,312**	-	-	-
Accounts receivable and other assets	**54,787**	**2,131**	**56,918**	41,310	9,466	50,776
Inventories	**34,819**	**-**	**34,819**	35,948	-	35,948
Financial assets at FVTPL	**95,137**	**218,335**	**313,472**	141,103	269,311	410,414
Financial assets at FVOCI	**95,760**	**135,158**	**230,918**	49,744	154,188	203,932
Right of use of leased assets	**-**	**9,642**	**9,642**	-	6,532	6,532
Investment properties	**1,769**	**58,491**	**60,260**	2,565	57,880	60,445
Investment in associates	**-**	**315,602**	**315,602**	-	324,781	324,781
Property, plant and equipment	**-**	**90,144**	**90,144**	-	91,177	91,177
Goodwill and other intangible assets	**-**	**9,847**	**9,847**	-	9,552	9,552
	347,989	**839,350**	**1,187,339**	321,657	922,887	1,244,544
LIABILITIES						
Due to banks	**23,695**	**-**	**23,695**	23,969	-	23,969
Accounts payable and other liabilities	**66,159**	**6,777**	**72,936**	64,830	4,360	69,190
Borrowings and bonds*	**369,459**	**242,731**	**612,190**	321,243	307,360	628,603
Provisions	**-**	**15,296**	**15,296**	-	14,113	14,113
	459,313	**264,804**	**724,117**	410,042	325,833	735,875

The contractual maturities of financial liabilities based on undiscounted cash flows are as follows:

	Up to 1 month KD '000	1-3 Months KD '000	3-12 months KD '000	Over 1 year KD '000	Total KD '000
31 December 2020					
Financial liabilities (undiscounted)					
Due to banks	**23,695**	**-**	**-**	**-**	**23,695**
Accounts payable and other liabilities	**27,587**	**9,168**	**28,811**	**6,777**	**72,343**
Borrowings and bonds	**37,432**	**59,970**	**295,288**	**273,121**	**665,811**
	88,714	**69,138**	**324,099**	**279,898**	**761,849**
31 December 2019					
Financial liabilities (undiscounted)					
Due to banks	23,969	-	-	-	23,969
Accounts payable and other liabilities	33,690	8,506	20,592	4,360	67,148
Borrowings and bonds	86,858	57,092	200,347	357,978	702,275
	144,517	65,598	220,939	362,338	793,392

*The Group's short term borrowings principally represent revolving facilities with local and foreign banks and financial institutions. During the year 2020, the Group's management has successfully renewed all short-term facilities which were classified as falling due within one month and one to three months.

Notes to the consolidated financial statements (continued)

36 Capital risk management

The Group's capital management objectives are to ensure that the Group maintains a strong credit rating and healthy ratios in order to support its business and maximise shareholder value.

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

The capital structure for the Group consists of the following:

	31 Dec. 2020 KD '000	31 Dec. 2019 KD '000
Borrowings and bonds (Note 26)	**612,190**	628,603
Due to banks	**23,695**	23,969
	635,885	652,572
Less:		
Bank balances and cash	**(50,011)**	(31,798)
Short term deposits	**(9,394)**	(18,189)
Wakala investments	**-**	(1,000)
Net debt	**576,480**	601,585
Total equity	**463,222**	508,669

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by the total equity as follows:

	31 Dec. 2020 %	31 Dec. 2019 %
Net debt to equity ratio	**124%**	118%

37 Fiduciary assets

One of the subsidiaries of the Group manages mutual funds, portfolios on behalf of related and third parties, and maintains securities in fiduciary accounts which are not reflected in the consolidated statement of financial position. Assets under management at 31 December 2020 amounted to KD8,497 thousand (2019: KD9,874 thousand) of which assets managed on behalf of related parties amounted to KD2,611 thousand (2019: KD2,569 thousand).

38 Contingent liabilities and capital commitments

At 31 December 2020, the Group had contingent liabilities in respect of outstanding bank guarantees amounting to KD16,048 thousand (2019: KD18,916 thousand) and other contingencies with regard to pending litigations and tax claims amounting to Nil (2019: KD356 thousand)

At the reporting date the Group had commitments for the purchase of investments and the acquisition of property, plant and equipment and investment properties totalling KD18,828 thousand (2019: KD20,348 thousand).

Notes to the consolidated financial statements (continued)

39 Dividend distribution and directors' remuneration

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a 5% bonus shares which represent 71,392,286 shares of 100 Fils each amounting to KD7,139 thousand for the year ended 31 December 2020.

At the Annual General Meeting held on 30 April 2020, the shareholders approved a cash dividend of 10% (2018: 12%) equivalent to 10 Fils (2018: equivalent to 12 Fils) per share for the year ended 31 December 2019.

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Parent Company's Board of Directors propose a total amount of KD480 thousand as remuneration to the Parent Company's Board of Directors for the year ended 31 December 2020.

40 Comparative information

Certain other comparative figures have been reclassified to conform to the presentation in the current year, and such reclassification does not affect previously reported net assets, net equity and net results for the year or net decrease in cash and cash equivalents.

41 Effect of COVID-19

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Governments worldwide imposed travel bans and strict quarantine measures in order to slow the spread of Covid-19. Business are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak remains unclear at this time. However, management of the Group is actively monitoring any effects of COVID19 may have on its business operations and financial performance.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potentially impacted due to continued uncertainties in the volatile economic environment in which the Group conducts its operations. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations.

Management is aware that a continued and persistent disruption could negatively impact the financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any negative impact on the Group.