

**Osoul Investment Company – K.S.C.P
And its Subsidiaries
State of Kuwait**



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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

**Osoul Investment Company K.S.C.P
State of Kuwait**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Osoul Investment Company K.S.C.P. (the Parent Company) and its subsidiaries, (together referred to as "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 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) as adopted for use in the State of Kuwait.

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

Emphasis of Matter

We draw attention to note 31.3 of the financial statements, which describes the uncertainty related to the outcome of a deemed basis tax assessment against the Group.

Key Audit Matters

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

Valuation of real estate properties

The Group's investment in properties, which are located in Kuwait, the United States of America and Jordan and presented as either Investment properties or Properties held for trading, are carried at KD 5.6 million and KD 1.9 million respectively and represent 40% of Group's total assets. The Group accounts for its investment properties using the fair value model, whereas properties held for trading are stated at the lower of cost and net realizable. An assessment of the fair value of investment properties and net realizable value of properties held for trading is carried out at each reporting date based on the market value of each property. In determining the market value of properties, the Group applies significant judgement and makes various estimates. The Group's accounting policies on investment properties and properties held for trading are disclosed in note 2.7 and 2.8 to the consolidated financial statements respectively. In addition further details about the investment properties and properties held for trading are disclosed in notes 11 and 8 to the consolidated financial statements respectively.

We have identified this as a key audit matter because of the existence of significant estimation uncertainty and Judgements and the impact of ongoing COVID-19 pandemic on the economy. A small change in the estimates applied could result in a material change to the value of these properties. The valuation of these properties is inherently subjective due to, among other factors, the individual nature of each property and its location, particularly the properties located outside of the state of Kuwait. The valuations are carried out by independent third-party valuers appointed by the Group management, who are licensed from the relevant regulatory bodies at respective locations. In determining a property's valuation, the valuers take into account property specific current information such as comparable market transactions.



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (CONTINUED)

Osoul Investment Company K.S.C.P
State of Kuwait

Auditor procedures:

Our audit procedures included, but were not limited to, the following:

We assessed the design and implementation of relevant controls related to the determination of the fair value or the net realizable of the properties as applicable. We assessed the appropriateness of valuation methodologies used and challenged the key assumptions including the inputs used to evaluate the real estate properties, by comparing these against industry benchmarks and our understanding of the property market in respective location considering the impact of COVID-19. We assessed the skills, competence, objectivity and qualifications of the external valuers and ensured that the scope of their work was sufficient for audit purposes. Further with regards to properties held for trading located outside of the state of Kuwait we engaged internal valuation specialists to review the valuation methodologies and key assumptions used as well as the impact of COVID-19 on the property values in the respective locations. We compared the results of the valuation against the carrying amount of the properties to determine that the investment properties are carried at fair value and the properties held for trading are not carried at an amount exceeding their net realizable value. We assessed the disclosure in the consolidated financial statements relating to this matter to determine if the disclosures are in accordance with IFRSs.

Other Information

Management is responsible for the other information. The other information comprises all information included in the annual report other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of auditor's report. We expect to receive the Parent Company's annual report of 2020, after the date of the auditors' report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use in the State of Kuwait, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (CONTINUED)

Osoul Investment Company K.S.C.P
State of Kuwait

- 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, actions taken to eliminate threats or safeguards applied.

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

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations or of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the year ended 31 December 2020, that might have had a material effect on the business of the Group or on its consolidated financial position.



Talal Y. Al-Muzaini
License No. 209A
Deloitte & Touche
Al-Wazzan & Co.


Kuwait
24 March 2021

Consolidated Statement of Financial Position as at 31 December 2020

	Notes	Kuwaiti Dinars	
		2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	4	1,077,182	1,470,782
Investments in Murabaha, Wakala and deposits at financial institutions	5	-	-
Investments at fair value through profit or loss	6	4,035,116	5,054,262
Other receivables	7	186,626	155,825
Properties held for trading	8	1,988,709	2,259,712
Total current assets		7,287,633	8,940,581
Non-current assets			
Investment at Fair value through other comprehensive income	9	1,706,446	1,698,862
Investment in associates	10	3,547,871	3,789,463
Investment properties	11	5,650,000	6,950,000
Intangible assets	12	588,129	649,993
Right of use assets	13	224,877	320,957
Other Assets		10,472	20,382
Total non-current assets		11,727,795	13,429,657
Total assets		19,015,428	22,370,238
LIABILITIES AND EQUITY			
Liabilities			
Current liabilities			
Payables	14	1,290,252	1,438,183
Lease liabilities	15	80,053	91,538
Total current liabilities		1,370,305	1,529,721
Non-current assets			
End of service indemnity	16	188,511	159,805
Lease liabilities	15	158,961	239,022
Total non-current liabilities		347,472	398,827
Total liabilities		1,717,777	1,928,548
Equity			
Share capital	17	15,710,050	15,710,050
Treasury shares	18	(666,482)	(183,041)
Treasury share reserve		843,168	621,197
Statutory reserve	19	468,409	468,409
Foreign currency translation reserve		3,608	3,835
Change in fair value reserve		485,133	474,433
Retained earnings		453,765	3,346,807
Total equity		17,297,651	20,441,690
Total liabilities and equity		19,015,428	22,370,238

The attached notes on pages 9 to 40 form an integral part of these consolidated financial statements.


Abdulla Musaed AL-Dakheel
Chairman


Sulaiman Ahmed Al-Ameeri
Vice Chairman

Consolidated Statement of profit or loss for the year ended 31 December 2020

	Notes	Kuwaiti Dinars	
		2020	2019
Income			
Net (loss)/gain from investments	20	(649,388)	1,719,769
Income from investment properties	21	529,612	644,965
(Loss)/ gain from properties held for trading	22	(189,111)	1,755
Rental income		33,923	79,954
Portfolio and funds management fees		-	101,423
Profit from Murabaha and deposits at financial institutions		-	26,034
Share of results from associates		(163,910)	399,604
		(438,874)	2,973,504
Other income	23	132,553	185,611
Net reversal/ (charge) of provisions	24	92,770	(133,245)
		(213,551)	3,025,870
Expenses and other charges			
Staff costs		(367,816)	(520,479)
Other expenses	25	(378,239)	(382,562)
Depreciation of right of use of assets	13	(96,080)	(166,701)
		(842,135)	(1,069,742)
Operating (loss)/ profit		(1,055,686)	1,956,128
Finance cost on lease liabilities	15	(13,872)	(13,839)
Net (loss)/ profit for the year before contributions		(1,069,558)	1,942,289
Provision for contribution to KFAS		-	(14,545)
Provision for NLST		-	(41,558)
Provision for Zakat		-	(16,623)
Provision for Director's remuneration		-	(37,000)
Net (loss)/ profit for the year		(1,069,558)	1,832,563
(Loss)/ earnings per share attributable to shareholders of Parent Company (fils)	26	(7.24)	10.79

The attached notes on pages 9 to 40 form an integral part of these consolidated financial statements.

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

	Kuwaiti Dinars	
	2020	2019
Net (loss)/profit for the year	(1,069,558)	1,832,563
Other comprehensive income items:		
<i>Items that will not be reclassified subsequently to consolidated statement of income:</i>		
<i>Investment at fair value through other comprehensive income:</i>		
Change in fair value	7,584	(279,367)
<i>Investment in associates</i>		
Group's share in other comprehensive income of associate	3,116	(86,579)
	<u>10,700</u>	<u>(365,946)</u>
<i>Items that may be reclassified subsequently to consolidated statement of income:</i>		
<i>Foreign currency translation:</i>		
Exchange differences on translation of foreign operations	1,422	(961)
<i>Investment in associates</i>		
Group's share in other comprehensive expense of associates	(1,649)	(8,518)
	<u>(227)</u>	<u>(9,479)</u>
Total other comprehensive income/ (expenses) for the year	10,473	(375,425)
Total comprehensive (expense)/ income for the year	(1,059,085)	1,457,138

The attached notes on pages 9 to 40 form an integral part of these consolidated financial statements.

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

	Kuwaiti Dinars							
	Equity attributable to the shareholders of the Parent Company							
	Share capital	Treasury shares	Treasury shares reserve	Statutory reserve	Foreign currency translation reserve	Change in fair value reserve	Retained earnings	Total
Balance at 1 January 2019	18,870,504	(775,510)	-	274,181	13,314	1,433,307	1,115,544	20,931,340
Purchase of treasury shares	-	(234,461)	-	-	-	-	-	(234,461)
Cancellation of treasury shares	(1,414,893)	826,930	621,197	-	-	-	-	33,234
Reduction of share capital	(1,745,561)	-	-	-	-	-	-	(1,745,561)
Transaction with owners	(3,160,454)	592,469	621,197	-	-	-	-	(1,946,788)
Net Profit for the year	-	-	-	-	-	-	1,832,563	1,832,563
Other comprehensive expense	-	-	-	-	(9,479)	(365,946)	-	(375,425)
Total comprehensive income for the year	-	-	-	-	(9,479)	(365,946)	1,832,563	1,457,138
Transfer to retained earnings on disposal of FVOCI Investment	-	-	-	-	-	(592,928)	592,928	-
Transfer to statutory reserves (note 19)	-	-	-	194,228	-	-	(194,228)	-
Balance at 31 December 2019	15,710,050	(183,041)	621,197	468,409	3,835	474,433	3,346,807	20,441,690
Balance at 1 January 2020	15,710,050	(183,041)	621,197	468,409	3,835	474,433	3,346,807	20,441,690
Purchase of treasury shares	-	(1,053,975)	-	-	-	-	-	(1,053,975)
Sale of treasury shares	-	570,534	221,971	-	-	-	-	792,505
Dividend (Note 27)	-	-	-	-	-	-	(1,823,484)	(1,823,484)
Transaction with owners	-	(483,441)	221,971	-	-	-	(1,823,484)	(2,084,954)
Net loss for the year	-	-	-	-	-	-	(1,069,558)	(1,069,558)
Other comprehensive income	-	-	-	-	(227)	10,700	-	10,473
Total comprehensive expense for the year	-	-	-	-	(227)	10,700	(1,069,558)	(1,059,085)
Balance at 31 December 2020	15,710,050	(666,482)	843,168	468,409	3,608	485,133	453,765	17,297,651

The attached notes on pages 9 to 40 form an integral part of these consolidated financial statements.

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

	Notes	Kuwaiti Dinars	
		2020	2019 Restated
Cash flows from operating activities			
Net Profit for the year		(1,069,558)	1,832,563
<i>Adjustments for:</i>			
Net unrealised loss/ (gain) from investments	20	91,964	(544,656)
Amortisation of right of use assets	13	96,080	166,701
Finance cost on lease liabilities	15	13,872	13,839
Gain on acquisition of additional shares of associate	23	(31,666)	(88,227)
Dividend income	20	(204,522)	(293,849)
Gain on sale of Investment properties		(15,000)	-
Loss on sale of Properties held for trading	22	1,706	-
Write down to net realisable value of Properties held for trading	22	187,405	-
Share of results from associates		163,910	(399,604)
Depreciation and amortization	25	71,774	67,512
Profit on retirement of lease contract		-	(31,690)
(Reversal)/ charge of provision	24	(92,770)	133,245
End of service indemnity	16	28,706	31,357
<i>Operating cash flow before changes in working capital</i>		<u>(758,099)</u>	<u>887,191</u>
<i>Movements in working capital:</i>			
Investments at fair value through profit or loss		925,775	(2,230,608)
Other receivables		61,749	(91,264)
Proceeds from sale of Properties held for trading		84,808	-
Payables		(440,033)	484,381
Paid for end of service indemnity	16	-	(258,292)
Net cash used in operating activities		<u>(125,800)</u>	<u>(1,208,592)</u>
Cash flows from investing activities			
Paid for acquisition of Investments at fair value through other comprehensive income		-	(90,520)
Proceeds from sale of Investments at fair value through other comprehensive income		-	1,622,789
Proceeds from sale of Investment properties		1,315,000	-
Dividend received from associate	10	200,949	265,022
Paid for acquisition of investment in associates	10	(90,000)	(373,591)
Paid for acquisition of other assets		-	(18,893)
Cash dividends received	20	204,522	293,849
Murabaha, Wakala and deposits placed at financial institutions	5	-	1,250,000
Cash held with third parties		164,678	631,383
Net cash generated from investing activities		<u>1,795,149</u>	<u>3,580,039</u>
Cash flows from financing activities			
Paid for purchase of treasury shares		(1,053,975)	(234,461)
Proceeds from disposal of treasury shares		792,505	-
Payment for capital reduction		-	(1,344,708)
Payment of lease liabilities	15	(105,418)	(139,076)
Dividend paid		(1,531,384)	-
Net cash used in financing activities		<u>(1,898,271)</u>	<u>(1,718,245)</u>
Net change in cash and cash equivalents		<u>(228,923)</u>	<u>653,202</u>
Cash and cash equivalents at the beginning of the year		<u>1,208,298</u>	<u>555,096</u>
Cash and cash equivalents at the end of the year	4	<u>979,375</u>	<u>1,208,298</u>

The attached notes on pages 9 to 40 form an integral part of these consolidated financial statements.

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

1. Incorporation of the Group

Osoul Investment Company K.S.C.P (“the Parent Company”) is a Shareholding Company incorporated in Kuwait in 1999 and is listed on the Kuwait Stock Exchange. Parent Company is regulated by the Central Bank of Kuwait (CBK) and Capital Market Authority (CMA).

The registered office of the company is at Al-Raya complex – Sharq, 27th floor P.O. Box 3880, Safat 13039.

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (referred together as “Group”) as mentioned in note 29.

The Parent Company is undertaking its activities in accordance with Nobel Islamic Shariaa principles.

The main activities of the Parent Company are:

- Investment in real estate, industrial, agricultural and economic sectors by incorporating specialized companies or purchase of the securities in different sectors
- Manage the funds of public and private institutions and invest such funds in various economic sectors including management of financial and real estate portfolio.
- Providing and preparing the technical, economic and advisory services, as well as studying the projects related to investment and preparing the necessary studies for companies and firms (provided that the necessary conditions should be met).
- Finance Brokerage and carrying out underwriters/lead managers tasks for bonds issues manager, which are issued by companies and investment trustees’ functions.
- Finance and Brokerage of the international and local trading operations.
- Providing finance for others taking into account the financial soundness principles set by the CBK in accordance with Islamic Sharia Laws.
- Purchasing and development of real estate properties for sale in its original form, or renting it to governmental, local and international establishments.
- Purchasing, and selling securities and bonds of companies and government authorities inside and outside Kuwait.
- Dealing and trading in the foreign exchange market and precious metals market inside and outside Kuwait for the Parent company’s benefit only.
- Establishment and management of investment funds of all types as per the Law.
- Mobilize the resources for financing under leasing “Ijara” and arrange pooled funding operations for leasing, particularly for small and medium firms. The Parent company is not permitted to accept deposits.
- Owning industrial property rights, patents, commercial and industrial trademarks, commercial designs, literary and intellectual property rights related to programs and writings or utilize and rent thereof to other entities.
- Establishing investment funds for its own account or third parties, offering its units, performing the job of a custodian or an investment manager of investment funds inside and outside Kuwait as per applicable laws and regulations, or management of international portfolios as well as investment in leasing transactions for its own account or third parties as per rules and regulations applicable in the State of Kuwait.

The Parent Company may carry out the above business in the state of Kuwait or outside by itself or through agency. Also, the Parent Company may have an interest or be involved in any other way with the entities that are engaged in similar activities or that may assist the Parent Company in achieving its objectives in Kuwait and abroad. The Parent Company may also buy these entities or merge with them.

These consolidated financial statements were authorized for issue by the Board of Directors on 24 March 2021 and are subject to the approval of the Annual General Assembly of the shareholders.

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

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

The consolidated financial statements have been prepared based on the historical cost basis except for investment properties and financial instruments that are measured at fair values, as explained in the accounting policies below.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as adopted for use in the State of Kuwait for financial institution regulated by the Central Bank of Kuwait ("CBK"). CBK regulations including the recently issued CBK circulars on regulatory measures in response to COVID 19 and related CBK communication, require financial services institutions regulated by CBK to adopt the International Financial Reporting Standards with the following amendment:

Expected credit loss ("ECL") on credit facilities to be measured at the higher of the ECL computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instruction along with its consequent impact on related disclosures.

2.2 New and revised IFRSs issued and effective

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for the adoption of the following new and amended standards effective on or after 01 January 2020.

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. This amendment did not have any impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment did not have a material impact on the consolidated financial statements of the Group.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework.

2.3 Standards and revisions issued but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

1 January 2022, with early application permitted.

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) January 1, 2021

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use 1 January 2022, with early application permitted.

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in consolidated statement of income. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in consolidated statement of income that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

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

2.4 Basis of Consolidation

Subsidiaries

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

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

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

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in consolidated statement of income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9: Financial Instruments, when applicable or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

2.5 Taxation

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 associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

National Labour Support Tax (NLST)

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

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.

2.6 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets

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

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

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

Classification and Measurement of Financial assets

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

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

The Group classifies its financial assets upon initial recognition as financial assets carried at amortised cost.

Financial assets carried at Amortised cost:

A financial asset is carried at amortised cost if it meets both of the following conditions:

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

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of income. Any gain or loss on derecognition is recognised in the statement of consolidated statement of income.

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

- *Investments in Murabaha, Wakala and deposits at financial institutions*

Investments in Murabaha, Wakala and deposits at financial institutions are measured at amortised cost using the effective interest method.

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

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash and bank balances, together with time deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

- *Other receivables*

Other receivables are stated at original invoice amount less allowance for any uncollectible amounts.

- *Credit facilities (loans to customer)*

Credit facilities are carried at amortised cost less an amounts written off and provision for impairment. The provision for credit losses on loans is the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Financial asset carried at FVTPL:

Financial assets in this category are those assets which have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument at FVTPL that otherwise meet the requirements to be measured at amortised cost or at FVOCI only if it eliminates, or significantly reduces, an accounting mismatch that would otherwise arise. Financial assets with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value. Changes in fair value are recognised in the consolidated statement of income. Interest income is recognised using the effective interest method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of income when the right to the payment has been established.

Equity instruments at FVOCI:

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Gains and losses on subsequent measurement of these equity instruments are never recycled to consolidated statement of income. Dividends are recognised in consolidated statement of income when the right to payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon derecognition cumulative change in fair value are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Foreign exchange gains and losses

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

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in consolidated statement of income; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value reserve.

Reclassification of financial assets

The Group does not reclassify its financial assets subsequent to their initial recognition.

Impairment of financial assets

The Group recognizes loss allowance for 'expected credit loss' (ECL) on bank balances, and other receivables. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money and reasonable and supportive information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group applies three-stage approach to measuring expected credit losses (ECL) under general approach 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.

Lifetime 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 lifetime expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both lifetime 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.

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.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

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

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

Definition of default and write-off policy

The Group categorize receivables as default when the amount is >90 days past due or there is evidence indicating the asset is credit impaired. The amount is written off when there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

Credit impaired assets

The Group considers a financial asset to be credit impaired when the borrower is unlikely to pay its credit obligations to the Group in full due to significant financial difficulty or breach of contract.

Measurement of ECLs

The Group recognizes ECL for cash and bank balances and other receivables using the general approach described above.

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.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Financial liabilities measured subsequently at amortised cost

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

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

Payables

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in consolidated statement of income, for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

De-recognition of financial assets and liabilities

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of income.

2.7 Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of income in the period in which the property is derecognised.

2.8 Properties held for trading

Properties held for trading (including property under development for that purpose) are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate properties. Cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate properties held for trading are classified under current assets and are valued at the lower of cost or net realisable value whichever is low on an individual basis. Realisable value is determined on the basis of estimated sale value, less the estimated expenses necessary to complete the sale. Gains and losses from the sale of land and property held for trading are reported in the consolidated statement of income as the difference between sale value and its book value.

2.9 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results of business, assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting except for any investment classified as investment held for sale, as it is accounted for in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations".

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

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

Upon acquisition of an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate, recognised at the date of acquisition, is recognised as goodwill. Goodwill is included within the carrying amount of the investment in an associate. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized in the consolidated statement of income.

The requirements of IAS 36: Impairment of Assets are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to consolidated statement of income on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to consolidated statement of income (as a reclassification adjustment) when the associate is disposed.

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

When a Group entity transacts with its associate, profits and losses resulting from the transactions with the associates are recognised in the Group financial statement only to the extent of interests in the associate that are not related to the Group.

2.10 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognised in consolidated statement of income when the asset is derecognised.

2.11 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Impairment losses are recognised in the income statement for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of income.

2.12 Provisions

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

2.13 End of service indemnity

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

2.14 Dividends

The dividends attributable to shareholders of the Parent Company are recognized as liabilities in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's board of directors.

2.15 Foreign currencies

The Parent Company's functional currency is the Kuwaiti Dinar.

Foreign currency transactions are recorded in Kuwaiti Dinars at the rates of exchange prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Kuwaiti Dinars at the rates of exchange prevailing at the statement of financial position date. Resultant gains or losses are recognized in the consolidated statement of income.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as at fair value through profit or loss are reported as part of the fair value gain or loss in the consolidated statement of income whereas the translation difference on non-monetary items classified as investment at fair value through other comprehensive income are included in investment valuation reserve in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

2.16 Revenue recognition

The Group recognise revenue from the following major sources:

- Murabaha and Wakala income are recognized on an effective yield method.
- Rental income from investment properties is recognized on a straight line basis over the term of contract.
- Revenue from sale of properties held for sale and gain/ loss from disposal of investment properties is recorded in the consolidated statement of income when risks and associated benefits of the sold asset's ownership have been transferred to the acquirer.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on effective interest method.
- Portfolio and fund management fees is recognised over the period of time when the service is provided.

2.17 Accounting for leases

The Group as a lessee

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

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees

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

- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in consolidated statement of income.

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

Subsequent Measurement

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

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in note 2.11.

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

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

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

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

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

Where the Group is the lessor

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

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

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

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

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

2.18 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 the consolidated financial position and are disclosed separately in the consolidated financial statements.

2.19 Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

3. Critical accounting estimates and assumptions

In the application of the Group's accounting policies, the management is required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects future periods.

Judgements:

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

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. Monitoring is part of the Group's continuous assessment of whether the business model for which the 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. No such changes were required during the periods presented.

Classification of real estate investments

Management decides on acquisition of real estate whether it should be classified as held for trading or investment property. The Group classifies property as held for trading if this is acquired principally for sale in the ordinary course of the business. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. These terms are used to maximise operational flexibility in terms of managing contracts. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease

Sources of estimation uncertainty

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

Fair value measurements and valuation techniques

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

Contingent liabilities/ liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when an event is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment (note 31).

4. Cash and cash equivalents

	Kuwaiti Dinars	
	2020	2019 Restated
Cash at bank	1,077,182	1,470,782
Bank balances with third parties	(97,807)	(262,484)
Cash and cash equivalents in the statement of cash flows	<u>979,375</u>	<u>1,208,298</u>

Cash and cash equivalents in the statement of cash flows as at 31 December 2019 was restated to KD 1,208,298 to exclude cash balances held with Kuwait clearing company.

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

5. Investments in Murabaha, Wakala and deposits at financial institutions

	Kuwaiti Dinars	
	2020	2019
Murabaha & Wakala	-	2,535,215
Deposits at financial institutions	-	-
	-	2,535,215
Provision for impairment	-	(2,535,215)
	-	-

5.1 All Murabaha & Wakala receivable balances are past due and impaired. The Group has written off these balances during the year.

5.2 All the eposits matured in 2019.

6. Investments at fair value through profit or loss

Investments at fair value through profit or loss represent investment in local quoted equity securities.

7. Other receivables

	Kuwaiti Dinars	
	2020	2019
Prepaid expenses	42,767	29,271
Refundable Deposit	85,147	82,822
Other	58,712	43,732
	186,626	155,825

8. Properties held for trading

	Kuwaiti Dinars	
	2020	2019
Balance at the beginning of the year	2,259,712	2,257,775
Sales	(84,808)	-
Write down to net realisable value	(187,405)	-
Foreign currencies translation adjustments	1,210	1,937
Balance at the end of the year	1,988,709	2,259,712

Properties held for trading include properties in the Kingdom of Jordan with carrying value of KD 987,819 (31 December 2019: KD 1,072,201) and properties located in the USA with carrying value of KD 1,000,890 (31 December 2019: KD 1,187,511). Fair value of these properties held for trading assessed for the purpose of determination of net realisable value, amounted to KD 1,019,693 and 1,000,890 respectively as at 31 December 2020 and was determined based on valuations using the market comparable approach under level 2 hierarchy as carried out by an independent valuer and based on subsequent sale prices.

On 9th February 2021, Group has received an offer to sell a property located in the USA and sale price has been determined at USD 3,300,000 (equivalent to KD 1,000,890). The Group has written down the carrying value of this property to its net realizable value determined based on this offer price.

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

9. Investment at fair value through other comprehensive income

	Kuwaiti Dinars	
	31 December 2020	31 December 2019
Local equity investment – quoted	268,304	268,314
Local equity investment – unquoted	871,443	864,223
Foreign equity investment – unquoted	566,699	566,325
	<u>1,706,446</u>	<u>1,698,862</u>

10. Investments in associates

This represents the Group's share of investments in the following associate;

	Country of incorporation	Principal activity	Ownership Percentage	
			2020	2019
Osos Holding Group Company K.P.S.C.(Osos)	Kuwait	Investment	29.66%	28.70%

Gain on acquisition of additional shares of associates is calculated as follows:

	Kuwaiti Dinars
	2020
Consideration transferred	(90,000)
Fair value of identifiable net asset acquired	121,666
Gain on acquisition of additional shares	<u>31,666</u>

The summarised financial information of associate based on audited financial statements is as follows:

	Kuwaiti Dinars	
	2020	2019
Total assets	18,161,597	20,007,222
Total liabilities	6,199,668	6,806,876
Revenue & other income	14,514	2,329,157
Profit for the period	(552,641)	1,391,995
Other comprehensive income	14,224	(293,289)
Dividend received	(200,949)	(265,022)
Net assets of the associate	<u>11,961,929</u>	<u>13,200,346</u>
Carrying amount of Group's interest in the associate (net)	<u>3,547,871</u>	<u>3,789,463</u>

As at 31 Dec 2020, the fair value of the Group's investment in Osos, based on quoted market share price on the Kuwait Stock Exchange, was KD 2,662,698.

The Group management has elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

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

11. Investment properties

Investment properties are residential buildings and real estates located in the state of Kuwait.

The movement in investment properties is as follows:

	Kuwaiti Dinars			
	Freehold properties	Leasehold properties	Total 2020	Total 2019
1 January 2020	4,500,000	2,450,000	6,950,000	6,950,000
Disposal	(1,300,000)	-	(1,300,000)	-
31 December 2020	3,200,000	2,450,000	5,650,000	6,950,000

The fair value of the Group's investment properties as at 31 December 2020 has been arrived at on the basis of a valuation carried out on the respective dates by independent valuer. The independent valuers are registered at the related Governmental Bodies, and they have appropriate and recent experience in the valuation of properties in the relevant locations. The Fair value is determined as follows:

- Level two: The fair value determined based on the market comparable approach that reflects recent transaction prices for similar properties and lands.
- Level three: The capitalization rate adopted based on the yield rates.

Details of investment properties and information about the fair value hierarchy as at 31 December are as follow:

	Level two	Level three	Fair value 31 December 2020	Fair value 31 December 2019
Freehold properties	-	3,200,000	3,200,000	4,500,000
Leasehold properties	2,450,000	-	2,450,000	2,450,000
	2,450,000	3,200,000	5,650,000	6,950,000

For investment properties categorised into level three of the fair value hierarchy, the following information is relevant:

	Valuation technique	Significant unobservable input	Sensitivity
Freehold properties	Income Capitalization Approach	Capitalization rate of 7.21% to 7.65%, taking into account the capitalization of rental income potential, nature of the property and prevailing market conditions.	A slight increase in the capitalization rate used would result in a slight decrease in fair value and vice versa.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change to the valuation technique during the year.

The rental income earned from the investment properties are disclosed in note 21. The related direct operating expenses incurred on rental earning properties amounts to KD 35,454 (31 December 2019: KD 33,816).

12. Intangible assets

Intangible assets represent cost of right to use some units in a tower located in Makkah, KSA. These rights will expire in year 2030.

	Kuwaiti Dinars	
	2020	2019
Cost		
As at 1 st January	1,836,022	1,836,022
Accumulated amortization		
At 1 January	1,186,029	1,124,165
Charged during the year	61,864	61,864
	1,247,893	1,186,029
As at 31 st December	588,129	649,993

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

13. Right of use assets

Leasehold Buildings

Kuwaiti Dinars	
2020	2019
1 January 2020	361,785
Additions	275,945
Depreciation	(166,701)
Retirement	(150,072)
31 December 2020	320,957

14. Payables

Kuwaiti Dinars	
2020	2019
Provisions for tax claims	311,893
Staff accruals	100,157
Statutory contribution	72,726
Payable to shareholders	367,619
Dividend payable	79,953
Other	505,835
	1,438,183

15. Lease liabilities

Kuwaiti Dinars	
2020	2019
Balance as at 1 January 2020	361,785
Additions	275,945
Accretion of interest	13,839
Payments	(139,076)
Retirements	(181,933)
	330,560
Current	91,538
Non-current	239,022
	330,560
<u>Maturity analysis</u>	
Not later than 1 year	91,538
Later than 1 year and not later than 5 years	239,022
	330,560

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

16. End of service indemnity

Reconciliation of provision for post-employment benefits:

	Kuwaiti Dinars	
	2020	2019
At 1 January	159,805	386,740
Provisions during the year	28,706	31,357
Paid during the year	-	(258,292)
At 31 December	188,511	159,805

17. Share capital

The Parent Company's authorized, issued and fully paid share capital amounted to KD 15,710,049.900 distributed over 157,100,499 (2019: 157,100,499) shares with a par value of 100 fils per share and all shares are paid in cash.

18. Treasury shares

	2020	2019
No. of shares (share)	8,426,798	3,141,465
Market value	690,997	235,610
Percentage to issued shares (%)	5.364	1.999

The Parent Company is committed to retain reserves and retained earnings equivalent to the treasury shares throughout the period, in which they are held by the Parent Company, pursuant to the relevant instructions of the Regulatory Authorities. These shares are not pledged.

19. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the net profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Board remuneration, national labour support tax and zakat is transferred to the statutory reserve. No transfer has been made during the year since the Group has reported a loss for the year. The shareholders may resolve to discontinue such annual transfers when the legal reserve reaches half of the share capital of the Parent Company. Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of share capital in years when retained earnings of the Parent Company are not sufficient for the payment of a dividend of that amount.

20. Net gain from investments

	Kuwaiti Dinars	
	2020	2019
Investment at fair value through profit or loss		
Realized (loss)/ gains on sale	(935,566)	881,264
Change in fair value	(91,964)	544,656
Cash dividends	173,620	193,980
	(853,910)	1,619,900
Investment at fair value through other comprehensive income		
Cash dividends	204,522	99,869
	(649,388)	1,719,769

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

21. Income from investment properties	Kuwaiti Dinars	
	2020	2019
Gross Rental income	514,612	644,965
Gain from sale of Investment properties	15,000	-
	<u>529,612</u>	<u>644,965</u>

22. (Loss)/ gain from properties held for trading	Kuwaiti Dinars	
	2020	2019
(Loss)/ gain on sale	(1,706)	1,755
Write down to net realisable value	(187,405)	-
	<u>(189,111)</u>	<u>1,755</u>

Gain or loss on selling of properties held for trading is recognized point in time when the ownership of the properties are transferred to the acquirer.

23. Other Income	Kuwaiti Dinars	
	2020	2019
Other income includes gain on acquisition of additional shares of associate (note 10) amounting to KD 31,666 (2019: KD 88,227) during the year.		

24. Net reversal/ (charge) of provisions	Kuwaiti Dinars	
	2020	2019
Provision for ECL of other receivables	(66,272)	(15,796)
Reversal/ (charge) of other provisions	159,042	(117,449)
	<u>92,770</u>	<u>(133,245)</u>

25. Other expenses	Kuwaiti Dinars	
	2020	2019
Subscription fees	55,888	76,457
Depreciation & Amortisation	71,774	69,021
Professional fees	39,523	39,181
Rent	7,688	20,600
Legal expenses	6,830	10,545
Remuneration of Sharia committee	2,750	1,375
Miscellaneous expenses	193,786	165,383
	<u>378,239</u>	<u>382,562</u>

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

26. Earnings per share

Earnings per share is calculated on the basis of the net profit attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year which is determined based on the outstanding shares of the issued capital during the year as follows:

	Kuwaiti Dinars	
	2020	2019
Net (loss)/profit for the year attributable to the shareholders of the Parent Company	(1,069,558)	1,832,563
Issued shares	157,100,499	157,100,499
Treasury shares	8,426,798	3,141,465
Weighted average number of shares	147,818,661	169,847,365
(loss)/ earnings per share attributable to the Parent Company shareholders (fils)	(7.24)	10.79

27. Dividends

On 24 March 2021, the Board of Directors proposed not to distribute cash dividends for 2020.

The annual general meeting of the shareholders for the year ended 31 December 2019 held on 5th May 2020, approved distribution of cash dividend of 12 fils (31 December 2018: NIL) per shares amounting to KD 1,823,484 to be paid to the registered shareholders, after obtaining necessary regulatory approvals.

28. Related party transactions

In the normal course of business, the Group enters into related party transactions (Principal shareholders, members of the Board of Directors, senior executive management and companies that are owned by major shareholders). Followings are the significant balances and transactions with related parties other than what is disclosed in the other notes:

	Kuwaiti Dinars	
	2020	2019
Statement of income		
Remuneration of key management personnel	116,667	153,771
Revenue generated from management of portfolios	-	10,497
Statement of financial position		
Key management benefits payable	82,943	85,508

The Group manages portfolios on behalf of related parties, the net assets of those portfolios amounted to KD Nil as at 31 December 2020 (KD 5,377,870 as at 31 December 2019). As these assets were held in a fiduciary capacity, these assets were not included in the consolidated statement of financial position.

All transactions are subject to the approval of the shareholders in the Annual General Assembly.

29. Subsidiaries

Following are the subsidiaries included in these consolidated financial statements:

Company name	Ownership percentage (%)		Activity	Country of corporation
	2020	2019		
Osoul House for Real Estate Co. (W.L.L)	99	99	Investments properties	Kuwait
Petro Q8 Co. (W.L.L)	99	99	General trading	Kuwait
Osoul Leasing and Finance (Private Sharing Co.)	100	100	Investments properties	Jordan
Osoul Holding DE III, Inc	100	100	Investments properties	USA

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

30. Segment distribution

The Group carries out its main activities in the State of Kuwait through three major segments:

- Finance segment- Investment in Murabaha, Wakala and deposit at financial institutions
- Investment segment- Investments in securities and portfolio management
- Real-estate segment- Investments in real estate

All activities are mentioned in note (1).

The analysis of segment information is as follows: -

	Kuwaiti Dinars			Total
	Finance segment	Investment segment	Real estate segment	
	31 December 2020			
Segments income	5,251	(507,476)	288,674	(213,551)
Total segment results	(53,731)	(960,141)	(55,686)	(1,069,558)
Net Loss for the year				(1,069,558)
Segments assets	712,381	9,711,196	8,591,851	19,015,428
Segment liabilities	120,260	1,300,259	297,258	1,717,777

The analysis of segment information is as follows: -

	Kuwaiti Dinars			Total
	Finance segment	Investment segment	Real estate segment	
	31 December 2019			
Segments revenues	26,034	2,220,796	726,674	2,973,504
Total segments' results	3,027	1,720,704	218,558	1,942,289
Net Profit for the year				1,832,563
Segment assets	537,855	11,508,130	10,324,253	22,370,238
Segment liabilities	148,513	1,363,422	416,613	1,928,548

For the purposes of monitoring segment performance and allocating resources between segments:

- There are no assets used jointly by any reportable segment.
- There are no liabilities for which any segment is jointly liable.

Geographical distribution of assets and revenues

	Kuwaiti Dinars			
	2020		2019	
	Assets	Income	Assets	Income
State of Kuwait	15,795,213	(58,363)	18,878,030	2,944,161
Gulf Co-operation council	1,154,829	33,923	1,216,319	81,709
Other Arabian Countries	1,064,496	(1,706)	1,088,378	-
U.S.A.	1,000,890	(187,405)	1,187,511	-
	19,015,428	(213,551)	22,370,238	3,025,870

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

31. Contingent liabilities

The Group has the following contingent liabilities:

31.1 Contingent liabilities under letters of guarantee;

Kuwaiti Dinars	
31 December 2020	31 December 2019

Letters of guarantee	18,380	18,380
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31.2 A former related party has filed a lawsuit against the Group to oblige it to settle management fees of finance receivables portfolio. The case has been transferred to the Expert Department. The Group is in the process of finalizing this case according to the settlement agreement signed with that party.

31.3 During 2016, the Group has received a tax claim amounting to Saudi Riyal 56.3 Million (equivalent to KD 4.52 Million) from the General Authority of Zakat and Tax (GAZT)– Kingdom of Saudi Arabia (“KSA”) for the fiscal years from 2006 to 2014. The claim includes corporate income tax, withholding tax and other penalties in respect of the Group’s income realized from leased units on a tower located in Mecca – KSA. The Group’s management believes that the figures used in computing the tax claim are significantly different from the actual income. Therefore, the Group’s management has appointed a tax advisor in KSA to review the tax claim. Further, the Group has duly submitted an objection memo to the Authority and has applied for opening a tax file with them.

Based on the tax advisor’s opinion and his correspondences with the Operator, the Group has assessed the financial impact of the above-mentioned tax claim to be KD 250 thousand and has made a full provision for this purpose. Out of this provision, an amount of KD 97 thousand was paid against the withholding tax for the years from 2008 to 31st December 2016. Group has paid all the tax dues and submitted tax declaration return.

The preliminary objection committee resolved to reject the objection filed by the Group against the tax assessment for the financial year from 2006 to 2014. On 15th August 2017, the Group submitted an objection letter to the tax appeal committee against the objection committee’s resolution.

On 11th November 2018, the Group received a notice from General Secretariat of Tax Committees (“GSTC”), which has been assigned to be responsible for all tax disputes. GSTC requested Group to provide them with all the documents of dispute that was submitted before to GAZT. Consequently, GSTC has been provided with the documents required in the scheduled time by the Group.

The Group received three tax claims on 19th April 2020, 8th July 2020 and 22nd July 2020 respectively requesting Parent Company to pay total amount of Saudi Riyal 664 thousand (equivalent to KD 53 thousand) concerning the tax due in respect of disputed period.

During 2019, the Group has provided additional provision of Saudi Riyal 2 million (equivalent to KD 160K) related to tax claim from 2006 to 2014.

32. Fair value estimation

Fair value is 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, i.e. an exit price. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis:

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique (s) and Key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2020	2019				
Investments at fair value through profit or loss:						
- Local quoted securities	4,035,116	5,054,262	Level 1	Bid prices	N/A	N/A
Investments at fair value through other comprehensive income:						
- Local quoted Securities	268,304	268,314	Level 1	Bid prices	N/A	N/A
- Local unquoted Securities	871,443	864,223	Level 3	Adjusted Net Assets Value	Discount rate	The higher the discount factor and illiquidity discount factor, the lower the fair value.
- Foreign Unquoted Securities	566,699	566,325	Level 3	Adjusted Net Assets Value	Discount rate	The higher the discount factor and illiquidity discount factor, the lower the fair value.

The fair values of the financial assets and financial liabilities included in the level 3 category above have been determined in accordance with generally accepted pricing models. There are no transfers between fair value levels during the year.

The carrying amount of financial assets and financial liabilities carried at amortised cost is approximately equal to their fair value.

33. Financial risk management

33.1 Financial risk

The Group's activities expose it to a variety of financial risks: market risks (including currency risks, fair value profit rates risk, cash flows profit rates risk and equity price risk) in addition to credit risk and liquidity risks.

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The Group manages these financial risks by continuously evaluating market conditions and trends and assessment of long and short-term market factors.

Market risk

Market risk, comprising of foreign currency risk, profit rate risk and equity price risk arises due to movements in foreign currency rates, interest rates and equity prices respectively.

Foreign exchange risk

The foreign exchange risk arises from future transactions on financial instruments in foreign currency classified in the consolidated financial statements of the Group in foreign currencies.

The Group develops policies to manage the risks of foreign currency by monitoring changes in the currency rate as well as the impact on the Group's financial situation throughout the year.

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

	Kuwaiti Dinars	
	31 December 2020	31 December 2019
US Dollar	1,029,563	1,224,629
Others	1,890,731	2,350,488

Foreign currency sensitivity is determined based on 5% (31 December 2019: 5%) increase or decrease in exchange rate. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies assuming the sensitivity given in the table below, following could be the impact on the profit for the year and the equity:

	Kuwaiti Dinars			
	31 December 2020		31 December 2019	
	+ 5%	- 5%	+ 5%	- 5%
Profit for the year	(117,680)	117,680	(150,440)	150,440
Equity	(28,335)	28,335	(28,316)	28,316

The Group's exposure to currency risk arises mainly from investment in FVOCI investment.

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

Equity Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated financial statements as investments at fair value through profit or loss and investment at fair value through other comprehensive income. The Group has established its policies to study and evaluate investment opportunities, diversifying the portfolios in order to manage the impact from long term change in fair value. The following table demonstrates the sensitivity of the changes in Kuwait index by 5% on Group's net profit with other factors held constant.

	Kuwaiti Dinars			
	Effect on net profit		Effect on equity	
	2020	2019	2020	2019
Kuwait Stock Exchange	246,911	229,725	5,636	3,893

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Profit rate risk

The Group is not exposed to profit rate risk as the Group does not have any assets or liabilities carrying profit rates as at the reporting date.

Credit risk

The credit risk is the risk that the Group will incur a loss due to the Group's inability to collect the debt when counter parties fail to discharge their contractual obligations against the Group.

The credit risk arises from balances and deposits at banks and financial institutions including Wakala and Murabaha receivables and other receivables.

The Group manages the credit risk related to deposits, Wakala and Murabaha through dealing with local financial institutions with a good reputation in the market. The Group manages the credit risk relating to other receivables by setting credit policies in order to reduce the concentration of credit risk via diversifying the finance portfolio. The Group is not exposed to any significant credit risk exposure to any single counterparty.

The below schedule sets out the assets exposed to credit risk in the consolidated statement of financial position, without taking into consideration the guaranties:

	Kuwaiti Dinars	
	2020	2019
Bank balances	1,077,182	1,470,782
Other receivables	143,859	126,554
	<u>1,221,041</u>	<u>1,597,336</u>

The credit risk for cash and bank balance and short-term deposits is considered negligible, since the counterparties are reputable financial institutions with high credit quality.

The Group recognizes ECL for cash and bank balances and other receivables using the general approach.

Liquidity risk

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

The Group manages this risk by maintaining sufficient cash and cash equivalents as well as providing the necessary funding sources by agreeing on credit facilities that provide liquidity to the Group.

The table below analysis the Group's liabilities during the expected maturity periods from the consolidated financial statements date.

	Kuwaiti Dinars			
	2020			
	Within 3 months	From 3 months to 1 year	After 1 year	Total
Lease liabilities	43,323	46,494	170,478	260,295
Payables	1,112,576	177,676	-	1,290,252
	<u>1,155,899</u>	<u>224,170</u>	<u>170,478</u>	<u>1,550,547</u>
	2019			
	Within 3 months	From 3 months to 1 year	After 1 year	Total
	Payables	269,208	607,874	-
Lease liabilities	58,923	46,494	260,295	365,712
	<u>328,131</u>	<u>654,368</u>	<u>260,295</u>	<u>1,242,794</u>

33.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There were no changes in the Group's approach to capital management during the year and the Group is not subject to externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders and issue new shares. Capital includes equity attributable to the equity holders of the Parent Company less cumulative changes in fair values.

33.3 Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, system failure or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of the overall risk management.

34. Fiduciary assets

The Group manages portfolios on behalf of others with net assets of KD Nil as at 31 December 2020 (KD 2,919 as at 31 December 2019). These balances are not included in the consolidated financial position.

35. Restatement

Certain prior period amounts have been reclassified to confirm with current period presentation (Refer Note 4).

36. Effect of COVID-19

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements:

Valuation of investment properties and properties held for trading

The Group has analyzed market conditions arising and significant uncertainties around its investment properties located in Kuwait and properties held for trading located in Jordan and USA, especially arising as a result of COVID-19.

The Group has performed valuation of its investment properties and properties held for trading, considering the negative impact of COVID-19 on market value of properties located in Kuwait, Jordan and USA. Based on the property valuations the Group concluded that the values of its investment properties and properties held for trading as of 31 December 2020 is fairly stated.

Fair valuation of financial assets

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for the determination of fair value of financial assets at Investments at fair value through profit or loss and Investments at fair value through other comprehensive income.

The Group has determined the fair value of its equity securities based on most recent market information relating to the respective investments and recognized resulting unrealized loss in this Consolidated financial statement.

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Impairment of investment in associate

The Group has performed a qualitative assessment on its investment in associate, considering the impact of COVID-19 on associate's business operations and concluded that COVID-19 has not resulted in any indication of impairment on Group's investment in associate.

Going concern

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