



الكويتية السورية القابضة
Kuwait Syrian Holding

Kuwait Syrian Holding 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**



الكويتية السورية
Kuwait Syrian Holding Company

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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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Kuwait: 25 March 2021

Independent Auditor's Report to the Shareholders

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

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note (19) to the consolidated financial statements which discloses that assets amounting to KD 11.2 Million as at 31 December 2020 which represent 71% approximately of the Group's assets is in Syria and that the Group has assessed that the current political and economic events is unlikely to have any material effect on carrying value of these assets.

Our opinion is not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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.

Valuation of investment properties and impairment of trading properties:

As at 31 December 2020, investment properties and properties held for trading amounting to KD 8,174,406 and KD 3,995,577 respectively represent 51% and 25% of total assets. The disclosures relating to the investment properties and properties held for trading are given in notes 2.3.3, 2.3.5, 4, 5 and 7 to the consolidated financial statements.

The valuation of real estate properties requires significant estimates and judgements. The significance of the estimates and judgements involved in arriving at the fair value, coupled with the fact that only a small percentage difference in individual property valuations, when aggregated, could result in a material misstatement, warrants specific audit focus in this area.

Real estate properties valuation was carried out by independent third party valuers (the 'Valuers') engaged by the Group's management. The Valuers are certified in their relevant jurisdictions and have considerable experience of the markets in which the Group operates.

As a part of our audit procedures, we evaluated the design and implementation of controls over management's valuation process. We also selected samples of real estate properties and considered the appropriateness of the methodologies, as well as models and inputs used for valuations.

Independent Auditor's Report to the Shareholders (continued)

Kuwait Syrian Holding Company - K.S.C.P.

State of Kuwait

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

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

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

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

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

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

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

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

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

Independent Auditor's Report to the Shareholders (continued)

Kuwait Syrian Holding Company - K.S.C.P.

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

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

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

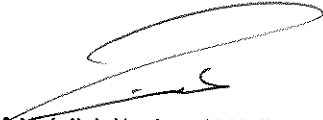
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

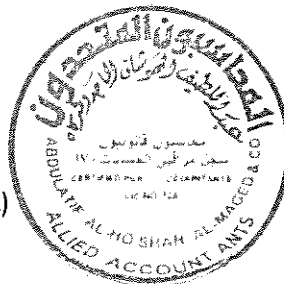
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 regulation, as amended, and by the Parent Company's Memorandum 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 regulation, as amended, or by the Parent Company's Memorandum 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. 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.


Abdullatif Abdullah Hoshan Al-Majid
Certified Public Accountants (Licence No. 70 A)
Parker Russell - Allied Accountants



Consolidated Statement of Financial Position as at 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Assets			
Non-current assets			
Property and equipment		222,225	760,070
Investment properties	5	8,174,406	22,669,024
Financial investments at fair value through OCI	6	3,011,383	4,043,919
		<u>11,408,014</u>	<u>27,473,013</u>
Current assets			
Properties held for trading	7	3,995,577	4,105,100
Trade and other receivables		41,656	164,015
Cash and cash equivalents	8	473,842	704,344
		<u>4,511,075</u>	<u>4,973,459</u>
Total assets		<u><u>15,919,089</u></u>	<u><u>32,446,472</u></u>
Equity and Liabilities			
Equity			
Share capital	9	17,627,690	17,627,690
Statutory reserve	10	139,253	139,253
Investments revaluation reserve		1,244,866	2,263,618
Foreign currency translation reserve		(6,292,985)	1,547,541
Accumulated losses		(2,551,204)	(972,891)
Total equity attributable to the shareholders of the Parent Company		<u>10,167,620</u>	<u>20,605,211</u>
Non-controlling interest		<u>1,711,690</u>	<u>7,398,434</u>
Total equity		<u>11,879,310</u>	<u>28,003,645</u>
Non-current liabilities			
Term loan	11	71,554	302,362
End of service indemnity		13,577	12,016
		<u>85,131</u>	<u>314,378</u>
Current liabilities			
Trade and other payables	12	3,880,141	3,836,960
Term loan	11	74,507	291,489
		<u>3,954,648</u>	<u>4,128,449</u>
Total liabilities		<u>4,039,779</u>	<u>4,442,827</u>
Total equity and liabilities		<u><u>15,919,089</u></u>	<u><u>32,446,472</u></u>

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

Ahmad Abdulrahman Al-Sharqawi
Chairman


Fahad Abdulrahman Al-Mukhaizim
Vice Chairman

Consolidated Statement of Income for the year ended 31 December 2020

(All Amounts are in Kuwaiti Dinar)

	Note	2020	2019
Revenue			
Net properties income	13	118,170	215,020
Net investments income	14	48,992	31,466
Other income		17,486	7,813
Total revenue		<u>184,648</u>	<u>254,299</u>
Expenses and other charges			
Staff cost		145,195	226,727
Administration and general expenses		268,987	622,434
Expected credit losses		-	52,642
Foreign currency differences losses/ (gains)		2,220,133	(290,175)
Total expenses and other charges		<u>2,634,315</u>	<u>611,628</u>
Net loss for the year		<u>(2,449,667)</u>	<u>(357,329)</u>
Attributable to:			
Shareholders of the Parent Company		(1,578,313)	(345,017)
Non-controlling interest		(871,354)	(12,312)
		<u>(2,449,667)</u>	<u>(357,329)</u>
Loss per share attributable to the shareholders of the Parent Company (fils)	15	<u>(8.95)</u>	<u>(1.96)</u>

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

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

(All Amounts are in Kuwaiti Dinar)

	2020	2019
Net loss for the year	<u>(2,449,667)</u>	<u>(357,329)</u>
Other comprehensive income items:		
<i>Items that may be reclassified subsequently to statement of income:</i>		
Foreign currency translation differences	<u>(12,655,916)</u>	<u>2,624,678</u>
<i>Items that will not be reclassified subsequently to statement of income:</i>		
Changes the fair value of financial investments designated at FVTOCI	<u>(1,018,752)</u>	<u>865,943</u>
Total other comprehensive income items	<u>(13,674,668)</u>	<u>3,490,621</u>
Total comprehensive (loss)/ income for the year	<u>(16,124,335)</u>	<u>3,133,292</u>
Attributable to:		
Shareholders of the Parent Company	<u>(10,437,591)</u>	<u>2,644,251</u>
Non-controlling interest	<u>(5,686,744)</u>	<u>489,041</u>
	<u>(16,124,335)</u>	<u>3,133,292</u>

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



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

(All Amounts are in Kuwaiti Dinar)

	Equity attributable to the shareholders of the Parent Company							Non-controlling interest	Total equity
	Share capital	Statutory reserve	Investments revaluation reserve	Foreign currency translation reserve	Accumulated losses	Total	Total		
Balance at 1 January 2019	17,627,690	139,253	1,397,675	(327,181)	(551,477)	18,285,960	4,225,154	22,511,114	
Net loss for the year	-	-	-	-	(345,017)	(345,017)	(12,312)	(357,329)	
Total other comprehensive income items	-	-	865,943	2,123,325	-	2,989,268	501,353	3,490,621	
Change in non-controlling interest	-	-	-	(248,603)	(76,397)	(325,000)	2,684,239	2,359,239	
Balance at 31 December 2019	17,627,690	139,253	2,263,618	1,547,541	(972,891)	20,605,211	7,398,434	28,003,645	
Balance at 1 January 2020	17,627,690	139,253	2,263,618	1,547,541	(972,891)	20,605,211	7,398,434	28,003,645	
Net loss for the year	-	-	-	-	(1,578,313)	(1,578,313)	(871,354)	(2,449,667)	
Total other comprehensive income items	-	-	(1,018,752)	(7,840,526)	-	(8,859,278)	(4,815,390)	(13,674,668)	
Balance at 31 December 2020	17,627,690	139,253	1,244,866	(6,292,985)	(2,551,204)	10,167,620	1,711,690	11,879,310	

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

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

(All amounts in Kuwaiti Dinar)

	Note	2020	2019
Cash flows from operating activities			
Net loss for the year		(2,449,667)	(357,329)
<i>Adjustments:</i>			
Impairment of properties held for trading		82,375	25,000
Expected credit losses		-	52,645
Net investments income		(48,992)	(32,515)
Interest income		(754)	(7,813)
Depreciation		79,888	122,146
Loss on sale property and equipment		-	1,240
End of service indemnity provision		1,561	(142,934)
Operating losses before changes in working capital		(2,335,589)	(339,560)
Properties held for trading		(25,126)	
Trade and other receivables		122,359	(48,411)
Investments at fair value through profit or loss		-	617,190
Trade and other payables		2,346,140	1,108,684
Net cash generated from operating activities		<u>107,784</u>	<u>1,337,903</u>
Cash flows from investing activities			
Paid for investment properties		(299,181)	(2,028,855)
Paid for acquisition of property and equipment		-	(36,683)
Proceeds from sale property and equipment		-	2,555
Interest income received		754	7,813
Cash dividends received		48,992	27,471
Net cash used in investing activities		<u>(249,435)</u>	<u>(2,027,699)</u>
Cash flows from financing activities			
Payment of cash dividends		(6,840)	(26,228)
(Payment)/ proceeds from term loan		(82,011)	593,851
Net cash (used in)/ generated from financing activities		<u>(88,851)</u>	<u>567,623</u>
Net change in cash and cash equivalents		(230,502)	(122,173)
Cash and cash equivalents at the beginning of the year		756,986	879,159
Cash and cash equivalents at the end of the year	8	<u>526,484</u>	<u>756,986</u>

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

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

(All amounts in Kuwaiti Dinar unless otherwise stated)

1. Incorporation of the Group

Kuwait Syrian Holding Company “the Parent Company” is a Kuwaiti Public Shareholding Company incorporated in 28 July 2002.

The main activities of the Parent Company are:

- Owning stocks in Kuwaiti or Non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment, lending and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns shares, guaranteeing them with third parties where the holding company owns 20% or more of the capital of the borrowing company.
- Owning industrial rights such as patents, industrial trademarks, royalties, or any other related rights, and leasing to other companies to use it inside and outside state of Kuwait.
- Owning properties and moveable property to conduct its operations within the limits as stipulated by law.
- Utilizing the company’s available surplus funds in financial portfolio managed by specialized entities.

The Parent Company’s main office is at Rakan Tower, 16th Floor, Fahad Al-Salem Street, Kuwait.

These consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries (Note 17), known collectively as “the Group”.

These consolidated financial statements for the year ended 31 December 2020 were authorized for issuance by the Board of Directors on 25 March 2021. The General Assembly of the shareholders have the authority to amend these consolidated financial statements after issuance.

2. Basis of preparation and Significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and properties that are measured at fair values, as explained in the accounting policies below.

The Group’s accounting policies has been applied based on a similar basis to all year presented, except as indicated in note 2.2.1 on the application of new and revised IFRSs.

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

2.2.1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020:

Amendments to IAS 1 and IAS 8: Definition of Material

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

Amendments to IFRS 3: Definition of a Business

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

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

(All amounts in Kuwaiti Dinar unless otherwise stated)

Amendments to IFRS 16: Covid-19 Related Rent Concessions

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

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

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

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

for Financial Reporting issued on 29 March 2018

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

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

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

IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 <i>Reference to the Conceptual Framework</i>	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated <i>Conceptual Framework</i>) at the same or earlier.
Amendments to IAS 16 <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.



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

(All amounts in Kuwaiti Dinar unless otherwise stated)

Annual Improvements to IFRS Standards 2018-2020 Cycle *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

2.3 Significant Accounting Policies

Following is the significant accounting policies adopted by the Group:

2.3.1 Financial instruments

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

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

Financial assets

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

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

Classification of financial assets

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

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

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

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

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

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

- The Group may irrevocably elect to classifying in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points

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

(All amounts in Kuwaiti Dinar unless otherwise stated)

paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in consolidated statement of income.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship.

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

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Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Dividends on these investments are recognised in consolidated statement of income when the Group's right to receive the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' in consolidated statement of income.

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 equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

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

The Group writes off receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivable are over two years past due.

The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9, for financial instruments in Cash and bank balances. The Group uses external rating agency credit grades for assessing credit risk on these financial assets and these published grades are continuously monitored and updated.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities subsequently measured at amortised cost

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

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

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at 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 the 'other gains and losses' line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

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

2.3.2 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the 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 affect its returns.

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



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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 Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between

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

All amounts previously recognised in consolidated 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, when applicable, 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 profit or loss 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 profit or loss as a bargain purchase gain.

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

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 the consolidated statement of income. Amounts, that have previously been recognised in consolidated comprehensive income, are reclassified to the consolidated statement of income as if that interest was 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 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 profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

2.3.3 Investment property

Investment properties are properties which have been acquired to earn rentals for long-term periods or for capital appreciation. Investment properties are recognized upon acquisition at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value through independent approved appraisers and the lowest valuation shall be approved. Gains and losses arising from changes in the fair value are recognized in the consolidated statement of income.

Real estate projects which are in progress and shall be used as investment properties are considered as investment properties and shall be recognized at cost and re-measured at fair value through independent approved valuers and the lowest valuation shall be approved. If there were no reasonable method to measure the fair value of the projects in progress, such properties are recognized at cost to the date of completion and development of the property or the date of determining its fair value reliably, which is earlier.

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 de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period in which the property is derecognised.

2.3.4 Property and equipment

Property and equipment are stated at historic cost less accumulated depreciation and accumulated impairment loss. Historical cost of an item of property and equipment comprises its acquisition cost and all directly attributable costs of bringing the asset to working condition for its intended use.

Capital work in progress is carried at cost less impairment losses, if any and transferred to the related asset category when ready for its intended use.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

The carrying amount of property and equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment in its carrying value. If any such indication exists, an impairment loss is recognized in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

2.3.5 Land and real estate held for trading

Land and real estate held for trading are stated at cost when acquired. Cost is determined on an individual basis for such land or real estate, cost represents the fair value of the consideration given, plus ownership transfer fee and brokerage expenses. Land and real estate held for trading are classified under current assets and are valued at the lower of cost or realisable value 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 by the difference between sale value and its book value.



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2.3.6 End of service's indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment. 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 balance sheet date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.7 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.

2.3.8 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 Company's shareholders.

2.3.9 Foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the consolidated income statement.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

2.3.10 Revenue recognition

- Revenue is recognized when the Group satisfies the performance obligation by transferring the promised goods or service to the customer. A product or service is deemed to have been transferred when the customer has control over that item or service at a point in time or over time. Revenue is measured at the amount of the consideration to which the Group is expected to be entitled in exchange for the transfer of the promised goods or services to the customer.
- Interest on deposits is recognized on a time proportion basis.
- Dividend income is recognized when the right to receive payment is established.



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2.3.11 Accounting for leases

Where the Group is a lessee

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

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

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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

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

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

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

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



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

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

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

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

Sale and leaseback

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

Where the Group is the lessor

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

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

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

3. Financial risk management

3.1 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 prices risk) in addition to credit risk and liquidity risks.

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

a) Market risk

Foreign exchange risk

The foreign exchange risk arises from future transactions on financial instruments in currency differs from the functional currency. The Group is principally exposed to the foreign currencies risk from dealing in financial instruments in USD and Syrian Pound.

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



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The Group is mainly exposed to the foreign currencies risk from translation of assets and liabilities denominated in foreign currencies such as cash, equivalent cash, receivables, payables and credit facilities.

The following represent net assets denominated in USD Dollar as at the consolidated financial statements date:

	2020	2019
Net US Dollar	5,997	6,303

Had the US\$ had decreased / increased against the Kuwaiti Dinar by 5% with all other variables held constant, the net profit of the Group would have been increase / decrease by KD 300 for the year ended 31 December 2020 (KD 315 - 2019).

Equity price risk

The equity price risk arises from fluctuation of financial instrument value resulting from change in market prices. The Group is exposed to the price risk as a result of holding investments classified as investments at fair value through other comprehensive income in the consolidated financial statement.

The Group is managing this risk through monitoring the market prices of these investments if they are listed in an active market, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for other investments.

Fluctuations in cash flows risks and fair value of changes in interest rates

The interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in the market interest rates. The Group's assets are not exposed to this risk as the Group does not hold financial assets bearing fixed interests. The Group's exposure to cash flow interest rate risk arises from loans and bank facilities bearing variable interest rates, which expose the Group to the risk of cash flow fluctuations, resulted from changes in interest rate.

The Group is managing this risk by periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to meet the possibility of these probability.

The Group is subject to fair value risk of change in interest rate of deposit. The Group management insure that the deposit has been held using the appropriate available interest rate.

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the counterparty.

The Group is mainly exposed to credit risk arising from cash and cash equivalents. The Group monitors and manages credit risk exposure by dealing with high credit rating financial institutions.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Most of the Group's liabilities are due within one year from the date of the consolidated financial statements.

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimization of the equity balance.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical assets or liabilities.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.



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The table below gives information about how the fair values of the financial assets and liabilities are determined:

	Fair value as at 31 December		Fair value hierarchy	Valuation technique(s) and Key input(s)
	2020	2019		
Equity instruments designated at FVTOCI:				
Foreign quoted shares	2,155,588	3,165,978	Level 1	Closing price Comparative market price for similar assets
Local unquoted shares	203,856	212,218	Level 2	Discounted cash flow
Foreign unquoted shares	557,987	571,771	Level 3	Adjusted book value
Foreign unquoted shares	93,952	93,952	Level 3	

The fair values of other financial assets and financial liabilities approximately equal its book value as at the consolidated financial statements date.

4. Critical accounting estimates and assumptions

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

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

Judgements

Classification of investments in equity instruments

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

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

Political and economic events in the Syrian Arab Republic

The Group expects no impact of the economic and political events in the Syrian Arab Republic on the Group's assets and activities (Note 19).

Classification of properties

Management decides on acquisition of properties 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.

Practicing significant influence

Financial investments at fair value through other comprehensive income include investments in a foreign company amounted to KD 550,642 as at 31 December 2020 (KD 550,642 as at 31 December 2019) in which the Group's ownership percentage is 40%. The Group does not have an influence on this company in terms of the decisions related to its financial statements or its operation.

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 main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses

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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 financial assets and liabilities is disclosed in notes 3.3, 5,6 and 7.

5. Investment properties

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	22,669,024	18,165,848
Additions	299,181	2,028,855
Transfer to property and equipment	-	(721,559)
Foreign currency translation differences	(14,793,799)	3,195,880
Balance at the end of the year	<u>8,174,406</u>	<u>22,669,024</u>

5.1 Investment properties include lands with an amount of KD 5,784,849 as at 31 December 2020 (KD 16,651,828 – 2019) located in Syrian Arab Republic.

5.2 During the prior years, the development of these lands has been started for establishing a residential and commercial complex. The development works represent consulting, licensing, drilling, concrete and construction work.

5.3 The fair value of the Group's investment properties at the consolidated statement of financial position date has been arrived at on the basis of a valuation carried out on the respective date by independent valuer not related to the Group. This valuer is registered, and he has appropriate and recent experience in the valuation of properties in the relevant locations (level 2). In estimating the fair value of the investment properties, their current use was assumed to be highest and best use of these properties.

6. Financial investments at fair value through other comprehensive income

	<u>2020</u>	<u>2019</u>
Foreign quoted shares	2,155,588	3,165,978
Local unquoted shares	203,856	212,218
Foreign unquoted shares	651,939	665,723
	<u>3,011,383</u>	<u>4,043,919</u>

6.1 Investments has been determined based on valuation basis described in note (3.3).

6.2 Investments in equity instruments designated as at FVTOCI are not subject to impairment, and their cumulated changes in fair value included in the investments revaluation reserve is not subsequently reclassified to consolidated statement of income.

7. Properties held for trading

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	4,105,100	4,117,906
Additions	25,126	-
Impairment losses	(82,375)	(25,000)
Foreign currency translation differences	(52,274)	12,194
Balance at the end of the year	<u>3,995,577</u>	<u>4,105,100</u>

7.1 Lands held for trading are stated at cost or net recoverable value which lower. The recoverable amount has been determined based on the estimated selling value of KD 4,879,446 as at 31 December 2020.

7.2 The fair value of the Group's properties held for trading are estimated based on valuations carried out on that date by independent valuers not related to the Group. The independent valuers are licensed from the relevant regulatory bodies and they have appropriate qualifications and recent experiences in valuation of properties at the relevant locations. The fair value of properties held for trading was determined based on capitalization of net income method, where the market rental of all units of the properties (Level 3). The capitalization rate adopted is made by reference to the yield rates observed by the valuers for similar properties in the locality. Average capitalization rate used in the valuation is from 7% - 7.5%. The increase in capitalization rates would result in a significant decrease in the fair value, and vice versa. In estimating the fair value of the properties, their current use was assumed to be highest and best use of these properties.

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8. Cash and cash equivalents

	2020	2019
Cash at banks	472,669	703,942
Deposits at banks	53,815	53,044
	526,484	756,986
Provision of expected credit losses	(52,642)	(52,642)
	<u>473,842</u>	<u>704,344</u>

The interest rate on term deposits is 1% as at 31 December 2020 (2.5% - 2019).

9. Share capital

The authorized, issued and fully paid up capital is amounting to KD 17,627,690 distributed over 176,276,900 shares with nominal value of 100 fils each, and all shares are in cash.

10. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, not less of 10% from the net profit for the year before Kuwait Foundation for the Advancement of Sciences, national labour support tax, Board remuneration and zakat expense is to be transferred to the statutory reserve. The general assembly may resolve to discontinue such transfer when the legal reserve reaches 50% of the issued share capital. Distribution of this reserve is limited to the amount required to enable the payment of a dividend of 5% of the paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

11. Term loan

Representing a term loan denominated in Syrian Pound from a local bank in the Syrian Arab Republic, this loan is secured against pledged an investment properties with carrying amount of KD 3,404,477 as at 31 December 2020 (KD 9,736,610 – 2019). The average interest rate on loan is 13.75% per annum.

12. Trade payables and other credit balances

	2020	2019
Due to related parties (Note 16)	1,645,215	1,643,953
Advance payment from customers	1,728,432	1,698,109
Trade payables	456,922	348,565
Accrued dividends	31,750	38,590
Other credit balances	17,822	107,743
	<u>3,880,141</u>	<u>3,836,960</u>

13. Net properties income

	2020	2019
Revenue of rental properties	200,545	240,020
Impairment losses of properties held for trading	(82,375)	(25,000)
	<u>118,170</u>	<u>215,020</u>

14. Net investments income

	2020	2019
<i>Financial investment at fair value through profit or loss:</i>		
Gains from selling investments	-	5,044
Portfolio management fees	-	(1,049)
	<u>-</u>	<u>3,995</u>
<i>Financial investments at fair value through other comprehensive income</i>		
Cash dividends	48,992	27,471
	<u>48,992</u>	<u>31,466</u>

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

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15. Loss per share

Loss per share is calculated on the basis of the net loss for the year attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year as follows:

	2020	2019
Net loss for the year attributable to the shareholders of the Parent Company	(1,578,313)	(345,017)
Weighted average number of shares outstanding and paid (share)	176,276,900	176,276,900
Loss per share attributable to the shareholders of the Parent Company (fils)	(8.95)	(1.96)

16. Related parties' transactions

Related parties represent shareholders who have representatives in the Boards of Directors, members of the Boards of Directors, Senior Management and the companies who controlled by the major shareholders. In the ordinary course of business, the Group entered into transactions with related parties during the year. The following are the transactions and balances resulted from these transactions:

	2020	2019
Transactions		
Key management benefits	77,938	138,369
Balances		
Key management benefits	17,458	1,424
Trade payables and other credit balances	1,645,215	1,643,953

All transactions with related parties are subject to the approval of the shareholders in the annual General Assembly Meeting.

17. Subsidiaries

17.1 Structure of the Group:

Company name	Legal structure	Ownership percentage (direct & indirect) (%)		Activity	Country of corporation
		2020	2019		
Kuwait Syrian Real Estate Company	W.L.L	100	100	Real Estate	Kuwait
Syrian Kuwait Limited Company	W.L.L	100	100	Trading and tourist services	Syria
Al-Nasser Gardens Holding Company	Holding	60.98	60.98	Holding	Kuwait
- Al-Nasser Gardens Real Estate Company	W.L.L	99	99	Real Estate	Kuwait
- New Faihaa Shareholding Company	Shareholding	75.1	75.1	General Trading	Syria
- Al-Nasser Garden Syrian Company	Shareholding	97.9	97.9	General Trading	Syria
- Kuwait Lebanon Real Estate Development Company	Offshore	100	100	Trading and tourist services	Lebanon

- Subsidiaries total assets amounted to KD 12,845,230 as at 31 December 2020 (KD 26,839,994 – 2019) and its losses amounted to KD 2,648,725 (losses KD 191,600 – 2019).

17.2 Statement of the subsidiaries (significant) not wholly owned by the Group including material non-controlling interests:

Al-Nasser Gardens Holding Company:

Balance of non-controlling interests in this company is KD 2,303,862 as at 31 December 2020 (KD 4,574,215 – 2019) which represent 39.02%. The following is the financial information summary of Al-Nasser Gardens Holding Company:

	2020	2019
Current assets	3,030,833	3,321,190
Non-current assets	8,395,231	23,425,586
Current liabilities	6,919,273	7,100,451
Non-current liabilities	71,554	302,362
Non-controlling interests	(1,469,073)	7,621,219
Equity attributable to the shareholders of the Parent Company	5,904,310	11,722,744
Non-controlling interests	2,303,862	4,574,215

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

(All amounts in Kuwaiti Dinar unless otherwise stated)

	2020	2019
Revenues	154,972	173,529
Expenses	(2,457,548)	(305,310)
Loss for the year	(2,302,576)	(131,781)
(Loss)/ profit for the year attributable to non-controlling interests	(263,811)	620
	2020	2019
Net cash flow generated from operating activities	245,480	1,404,044
Net cash flow used in investing activities	(299,181)	(2,062,983)
Net cash flow (used in)/ generated from financing activities	(82,011)	593,851
Net cash flows	(135,712)	(65,088)

New Faihaa Shareholding Company:

Balance of non-controlling interests in this company is KD 521,029 as at 31 December 2020 which represent 24.9% (KD 2,861,631 – 2019). The following is the financial information summary of New Faihaa Shareholding Company:

	2020	2019
Current assets	65,309	356,189
Non-current assets	7,614,295	21,177,749
Current liabilities	9,700,536	9,739,083
Non-current liabilities	71,554	302,362
Equity attributable	(2,092,487)	11,492,493
Non-controlling interests	(521,029)	2,861,631
	2020	2019
Revenues	-	199,961
Expenses	(2,439,643)	(505,161)
Loss for the year	(2,439,643)	(305,200)
Loss for the year attributable to non-controlling interests	(607,471)	(12,170)
	2020	2019
Net cash flow generated from/ (used in) operating activities	8,401	(860,480)
Net cash flow used in investing activities	(840)	(34,128)
Net cash flow (used in)/ generated from financing activities	(43,594)	966,769
Net cash flows	(36,033)	71,161

18. Dividends

On 10 June 2020, the General Assembly of the shareholders approved the consolidated financial statements for the year ended 31 December 2019 and approved not to distribute cash dividends for 2019 and not to distribute Board of Directors remuneration.

On 25 March 2021, the Board of Directors proposed not to distribute cash dividends to the shareholders for year 2020. This proposal is subject to the approval of the shareholders at the General Assembly of the Parent Company.

19. Segment distribution

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The following summary describes the operations in each of the Group's reportable segments:

- Investment: Includes the Group's securities trading and investment activities.
- Real-estates: Includes trading, development and management of real-estates.

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

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	2020			
	Investment	Real Estate	Other	Total
Segment revenues	49,027	135,621	-	184,648
Segment expenses	(181,931)	(2,452,384)	-	(2,634,315)
Segment results	(132,904)	(2,316,763)	-	(2,449,667)
Segment assets	3,073,859	12,845,230	-	15,919,089
Segment liabilities	297,358	3,742,421	-	4,039,779
	2019			
	Investment	Real Estate	Other	Total
Segment revenues	80,216	172,963	1,120	254,299
Segment expenses	(316,263)	(307,102)	11,737	(611,628)
Segment results	(236,047)	(134,139)	12,857	(357,329)
Segment assets	5,603,524	26,769,731	73,217	32,446,472
Segment liabilities	81,286	4,360,041	1,500	4,442,827

Geographical distribution of assets and liabilities:

	2020			
	Kuwait	Syria	Lebanon	Total
Assets	4,413,998	11,231,077	274,014	15,919,089
Liabilities	302,467	2,027,815	1,709,497	4,039,779
	2019			
	Kuwait	Syria	Lebanon	Total
Assets	4,554,235	27,610,196	282,041	32,446,472
Liabilities	84,368	2,722,634	1,635,825	4,442,827

The Group's assets amounting to KD 11.2 Million as at 31 December 2020 which represent 71% approximately from the Group's Assets is in Syria (KD 27.6 Million as at 31 December 2019 which represent 85% approximately from the Group's Assets), the Group has assessed that the current political and economic events is unlikely to have any material effect on the carrying value of these assets, taking into consideration that these assets are recorded at its fair values or less than its fair value which reflect the impact of the current circumstances. In addition, there are no restrictions on the disposition of these assets.

The Group's management believes that the application of IAS 29 has no material impact on the financial statements of the subsidiaries in the Syrian Arab Republic and Republic of Lebanon taking into consideration the above, most of the long-term assets have been transferred and registered in these companies to reflect the effect of changes in currency rates.

20. Capital commitments

	2020	2019
Projects in progress commitments	474,934	1,166,491

21. Impact of COVID-19

The World Health Organization declared on 11 March 2020 the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance.

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

The Group considered the best available information about past events, current conditions and forecasts of economic conditions in determination of the reported amounts of the Group's financial and non-financial assets reported in these financial statements. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

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

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Non-financial assets

As at the date of the financial statements, the Group has not identified any material impact on the carrying value of its non-financial assets due to COVID-19. The Group recognizes that certain geographical areas and sectors in which these assets are located are adversely affected. With further clarification of the situation, the Group continuously monitors market expectations and uses relevant assumptions to appropriately incorporate the values of these non-financial assets in the financial statements.

Measurement of fair value for financial instruments

The management has considered potential impacts of the current market volatility in determination of the fair value unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial assets represent the price that would be achieved for transactions between market participants in the current scenario. The management concluded that there is no material impact and that the recorded amounts are based on the best estimate in light of the available information.

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 Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.