

**Sharq Investment Company K.S.C. (Closed)  
and its Subsidiaries  
Kuwait**

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

**Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait**

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## INDEPENDENT AUDITOR'S REPORT

**The Shareholders**  
**Sharq Investment Company K.S.C. (Closed)**  
**Kuwait**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the accompanying consolidated financial statements of Sharq Investment Company K.S.C. (Closed) ("the parent company") and its subsidiaries (collectively 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 and other explanatory information.

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

#### **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 the 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

## **Report on the Audit of the Consolidated Financial Statements (Continued)**

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

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

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

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

## Report on the Audit of the Consolidated Financial Statements (Continued)

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


- 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 the management regarding 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.

### Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanation that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations, as amended nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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



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**Rabea Saad Al-Muhanna**  
Licence No. 152 A  
Crowe Al-Muhanna & Co.

Kuwait  
8 February 2021

Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

Consolidated Statement of Financial Position as at 31 December 2020

ASSETS	Notes	2020 KD	2019 KD
Cash and cash equivalents	4	1,229,688	1,910,914
Term deposits	5	200,000	500,000
Management fees and other receivables	6	513,526	975,654
Financial assets at fair value through profit or loss	7	4,865,832	5,074,270
Financial assets at fair value through other comprehensive income	8	8,773,851	7,733,627
Due from related parties	9	104,064	20,299
Investment in associate	10	274,263	450,415
Investment properties	11	13,230,750	11,460,000
Furniture and equipment	12	4,337	5,530
<b>Total assets</b>		<b>29,196,311</b>	<b>28,130,709</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Due to related parties	9	33,505	74,564
Islamic financing	13	6,430,300	6,411,000
Other liabilities	14	1,596,788	1,653,143
<b>Total liabilities</b>		<b>8,060,593</b>	<b>8,138,707</b>
<b>Equity</b>			
Share capital	15	15,185,000	15,185,000
Statutory reserve	16	1,035,571	929,048
Voluntary reserve	17	764,189	657,666
Cumulative changes in fair value reserve		(237,540)	(268,114)
Retained earnings		4,352,066	3,468,680
Equity attributable to equity holders of the parent company		21,099,286	19,972,280
Non-controlling interest		36,432	19,722
<b>Total equity</b>		<b>21,135,718</b>	<b>19,992,002</b>
<b>Total liabilities and equity</b>		<b>29,196,311</b>	<b>28,130,709</b>

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

Hani Fawaz Mohammad Jawabreh  
Chairman



Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

Consolidated Statement of Income for the year ended 31 December 2020

	Notes	2020 KD	2019 KD
<b>INCOME</b>			
Management fees	18	502,818	540,092
Brokerage fees		376,039	229,697
Consultancy income		530,382	-
Unrealised gain on financial assets at fair value through profit or loss		(28,579)	308,589
Realised gain on financial assets at fair value through profit or loss		424,340	635,632
Share of results from associate	10	(176,152)	33,969
Change in fair value of investment properties	11	(766,650)	(477,227)
Dividend income		351,516	127,762
Interest income		32,361	13,486
Gain on sale of investment properties		50,000	190,989
Foreign exchange loss		(1,374)	(1,294)
Rental income		249,585	70,200
Other income		493,814	90,413
<b>Total Income</b>		<b>2,038,100</b>	<b>1,762,308</b>
<b>EXPENSES</b>			
General and administrative expenses		(719,906)	(688,525)
Finance cost		(238,005)	(11,000)
<b>Total expenses</b>		<b>(957,911)</b>	<b>(699,525)</b>
<b>Profit for the year before KFAS and Zakat</b>		<b>1,080,189</b>	<b>1,062,783</b>
Zakat		(10,915)	(10,628)
KFAS		(9,722)	(9,565)
<b>Profit for the year</b>		<b>1,059,552</b>	<b>1,042,590</b>
<b>Attributable to:</b>			
Equity holders of the parent company		1,044,597	1,036,617
Non-controlling interest		14,955	5,973
		<b>1,059,552</b>	<b>1,042,590</b>

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

Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

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

	2020 KD	2019 KD
<b>Profit for the year</b>	<b>1,059,552</b>	<b>1,042,590</b>
<b>Other comprehensive income</b>		
<i>Items that are not be reclassified subsequently to consolidated statement of income</i>		
Changes in fair value of financial assets through other comprehensive income	<b>84,164</b>	388,162
<b>Other comprehensive income for the year</b>	<b>84,164</b>	<b>388,162</b>
<b>Total comprehensive income for the year</b>	<b>1,143,716</b>	<b>1,430,752</b>
<b>Attributable to:</b>		
Equity holders of the parent company	<b>1,127,006</b>	1,422,110
Non-controlling interest	<b>16,710</b>	8,642
	<b>1,143,716</b>	<b>1,430,752</b>

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



Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

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

	Equity attributable to equity holders of the parent company							Non-Controlling Interest	Total
	Share capital	Statutory reserve	Voluntary reserve	Cumulative changes in fair value reserve	Retained earnings	Subtotal	Interest		
	KD	KD	KD	KD	KD	KD	KD	KD	
Balance at 1 January 2020	15,185,000	929,048	657,666	(268,114)	3,468,680	19,972,280	19,722	19,992,002	
Disposal of equity investments (Note 8)	-	-	-	(51,835)	51,835	-	-	-	
Profit for the year	-	-	-	-	1,044,597	1,044,597	14,955	1,059,552	
Other comprehensive income for the year	-	-	-	82,409	-	82,409	1,755	84,164	
Total comprehensive income	-	-	-	82,409	1,044,597	1,127,006	16,710	1,143,716	
Transfers to reserves	-	106,523	106,523	-	(213,046)	-	-	-	
<b>Balance as at 31 December 2020</b>	<b>15,185,000</b>	<b>1,035,571</b>	<b>764,189</b>	<b>(237,540)</b>	<b>4,352,066</b>	<b>21,099,286</b>	<b>36,432</b>	<b>21,135,718</b>	
Balance at 1 January 2019	15,185,000	823,367	551,985	(538,650)	2,528,468	18,550,170	11,080	18,561,250	
Disposal of equity investments (Note 8)	-	-	-	(114,957)	114,957	-	-	-	
Profit for the year	-	-	-	-	1,036,617	1,036,617	5,973	1,042,590	
Other comprehensive income for the year	-	-	-	385,493	-	385,493	2,669	388,162	
Total comprehensive income	-	-	-	385,493	1,036,617	1,422,110	8,642	1,430,752	
Transfers to reserves	-	105,681	105,681	-	(211,362)	-	-	-	
Balance as at 31 December 2019	15,185,000	929,048	657,666	(268,114)	3,468,680	19,972,280	19,722	19,992,002	

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

Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

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

	Notes	2020 KD	2019 KD
<b>Cash flows from operating activities</b>			
Profit for the year before KFAS and zakat		1,080,189	1,062,783
Adjustments for:			
Unrealised gain on financial assets at fair value through profit or loss		28,579	(308,589)
Realised gain on financial assets at fair value through profit or loss		(424,340)	(635,632)
Share of results from associate	10	176,152	(33,969)
Gain on sale of investment properties		(50,000)	(190,989)
Change in fair value of investment properties	11	766,650	477,227
Dividend income		(351,516)	(127,762)
Foreign exchange loss		1,374	1,294
Interest income		(32,361)	(13,486)
Depreciation	12	2,030	1,689
Provision for employees' end of service benefits		11,911	46,897
Operating profit before changes in working capital		<u>1,208,668</u>	<u>279,463</u>
<i>Changes in working capital</i>			
Due from related parties		(83,765)	113,473
management fees and other receivables		460,754	(632,700)
Financial assets at fair value through profit or loss		604,199	(2,047,843)
Other liabilities		(88,272)	75,161
Due to related parties		(41,059)	43,070
<i>Cash flow from / (used in) operations</i>		<u>2,060,525</u>	<u>(2,169,376)</u>
Employees' end of service benefits paid		(631)	(38,314)
<i>Net cash flow from / (used in) operating activities</i>		<u>2,059,894</u>	<u>(2,207,690)</u>

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

Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

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

	Notes	2020 KD	2019 KD
<b>Cash flows from investing activities</b>			
Settlement of deposits		300,000	1,485,452
Purchase of financial assets at fair value through other comprehensive income		(1,267,931)	(542,259)
Proceeds from sale of financial assets at fair value through other comprehensive income		311,871	1,553,346
Dividend received		351,516	127,762
Purchase of investment properties	11	(7,487,400)	(718,500)
Purchase of property under development		-	(1,144,089)
Interest income received		32,361	13,486
Proceeds from sale of investment properties		5,000,000	1,200,000
Purchase of furniture and equipment	12	(837)	(1,513)
<i>Net cash flows used in / from investing activities</i>		<u>(2,760,420)</u>	<u>1,973,685</u>
<b>Cash flows from financing activities</b>			
Islamic finance payable		19,300	6,411,000
Settlement of payable for property under development		-	(4,517,305)
<i>Net cash flows from financing activities</i>		<u>19,300</u>	<u>1,893,695</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(681,226)</b>	<b>1,659,690</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>1,910,914</b>	<b>251,224</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<u><b>1,229,688</b></u>	<u><b>1,910,914</b></u>

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

## 1 Incorporation and activities

Sharq Investment Company K.S.C. (Closed) (the "Parent Company") is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 26 March 2005 pursuant to Memorandum of Incorporation no. 1709 V1 and it was registered in the commercial registry by the Ministry of Commerce and Industry under no. 106750 on 3 April 2005 and license no. M.M/1042/2005. The Parent Company subjects to the supervision of Capital Markets Authority ("CMA"). The Parent Company is a subsidiary of Al-Tafawoq United Holding Company K.S.C. (Closed) ("Ultimate Parent Company").

The Parent Company's registered office is located on the 37th Floor, KBT Tower, P.O. Box 1245, Dasman - 15463, Kuwait.

The activities of the Parent Company are carried out in accordance with its Articles of Association. The principal activities of the Parent Company are:

1. Investing in real estate, industrial and agricultural fields as well as other economic fields; by participating in the incorporation of specialised companies, acquiring securities and bonds in these companies of different sectors.
2. Managing funds of the public and private institutions, and investing these funds in different economic sectors including management of the financial and real estate portfolios.
3. Dealing and trading in the retail foreign market, and precious metal markets in and outside the State of Kuwait; only for the interest of the company.
4. Transactions related to trading securities in terms of disposing and acquiring shares and bonds of local and international companies, and governmental authorities.
5. Brokerage in acquisition and disposal of securities for other parties against commission (stock-broker not listed in the Stock Exchange Market).

The Parent Company is allowed to conduct the above mentioned activities inside and outside the State of Kuwait by its own or as an agent for other parties. The Parent Company may have an interest or in any way associate itself with other bodies practicing activities similar to its activities or which may assist the Parent Company in achieving its objective in Kuwait and abroad, or may establish, participate in or acquire these bodies or have them affiliated to it.

The consolidated financial statement of the Parent Company and its subsidiaries (collectively, the "Group") were authorised for issue by the board of directors on 8 February 2021.

## 2 Basis of preparation

### 2.1 Statement of compliance

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

### 2.2 Basis of measurement

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

## 2 Basis of preparation (continued)

### 2.3 Functional and presentation currency

The consolidated financial statements are presented in Kuwaiti Dinars (KD) which is the functional currency of the Group.

### 2.4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies, as described in note 3, and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

#### **Judgements**

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

#### *Classification of financial assets*

Management decides on acquisition of investments whether they should be classified as financial assets carried at fair value through profit or loss or financial assets at fair value through other comprehensive income or financial assets at amortised cost.

#### *Fair values of assets and liabilities acquired*

The determination of the fair value of assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

#### *Operating lease commitments - Group as lessor*

The Group has entered into commercial property leases on its investment properties portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases.

#### *Impairment of furniture and equipment*

A decline in the value of furniture and equipment could have a significant effect on the amounts recognised in the consolidated financial statements. Management assesses the impairment of furniture and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors that are considered important which could trigger an impairment review include the following:

- significant changes in the technology and regulatory environments
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

**2 Basis of preparation (continued)**

**2.4 Critical accounting judgments and key sources of estimation uncertainty (continued)**

**Estimation uncertainty and assumptions**

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

*Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the Discount Cash Flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on carrying amounts of financial assets carried at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

*Impairment of management fees receivable*

An allowance is recorded for expected credit loss (ECL) on receivable based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses.

*Useful lives of furniture and equipment*

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

## 2 Basis of preparation (continued)

### 2.4 Critical accounting judgments and key sources of estimation uncertainty (continued)

#### Estimation uncertainty and assumptions (continued)

##### *Impairment of associates*

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated company, at each reporting date based on existence of any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

##### *Valuation of unquoted investments*

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- An earnings multiple or industry specific earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Other valuation models.

##### *Valuation of investment properties*

Valuation of investment properties is based on one valuation by an independent valuer who holds a recognized and relevant professional qualifications and relevant experience.

Valuation of local properties is based on the lowest of the valuations obtained from at least two independent valuers, one of these valuers is a local bank.

## 3 Summary of significant accounting policies

Significant accounting policies are summarised as follows:

### 3.1 Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Group has applied new IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an annual accounting period that begins on or after 1 January 2020.

#### **Amendments to IFRS 3 - Definition of Combination**

Amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Further, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendment has no impact on the Group's financial statements, but it may impact on future periods if the Group enter into any business combination.

#### **In case of applying IFRS 16 and there are covid-19-related rent concessions**

##### **Amendments to IFRS 16 - Covid 19 Related Rent Concessions**

In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

**3 Summary of significant accounting policies (continued)**

**3.1 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)**

**Amendments to IFRS 16 - Covid 19 Related Rent Concessions (continued)**

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;

- a Any reduction in lease payments affects only payments due on or before 30 June 2021; and
- b There is no substantive change to other terms and conditions of the lease.
- c The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in the financial statements not yet authorized for issue at 28 May 2020. The Group has opted for earlier adoption of the above amendment.

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

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 financial statements. Also it is expected that it will not have any future impact to the company.

**3.2 New and amended standards issued but not yet effective**

The below new and amended IFRSs are effective for the periods after the reporting date. Those standards are not adopted in the preparation of financial statements and it is expected that they will not have significant impact on the Group's financial statements.

<b>Description</b>	<b>Effective for the annual period starts on or after</b>
Amendments to IAS 1 Classification of Liabilities	1 Jan 2023
Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture	1 Jan 2021
Amendments to IAS 16 – Proceeds before intended use	1 Jan 2022
Amendments to IFRs 3 – Update a reference to conceptual framework	1 Jan 2022
Amendments to IAS 37 - Onerous Contracts — Cost of Fulfilling a Contract	1 Jan 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 Jan 2022



### 3 Summary of significant accounting policies (continued)

#### 3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries (investees which are controlled by the Parent Company) including special purpose entities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent 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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

**3 Summary of significant accounting policies (continued)**

**3.3 Basis of consolidation (continued)**

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

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

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Legal ownership %	
			2020	2019
<b>Directly held</b>				
A2 Trading Company W.L.L. ("A2") *	Trading	Kuwait	99%	99%
Derby Company for Sale & Purchase of Land and Real Estate W.L.L. ("Derby")	Trading	Kuwait	99%	99%
Danat Capital Management and Economic Consulting Company W.L.L. ("Danat Capital")	Management & Economic Consulting	Kuwait	99%	99%

\* The license of "A2" has expired and not yet renewed. A2 has no business operations. The assets of A2 consist of financial assets carried at fair value through other comprehensive income of KD 73,973 (2019: KD 93,634).

**3.4 Business combinations**

Business combinations 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, assets or liabilities related to employee benefit arrangements, 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.

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

### 3 Summary of significant accounting policies (continued)

#### 3.4 Business combinations (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IFRS9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not be remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### 3.5 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 profit or loss.

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 which are summarised below.

**3 Summary of significant accounting policies (continued)**

**3.5 Financial instruments (continued)**

***Classification and Measurement of Financial assets***

The Group classifies its financial assets upon initial recognition into the following categories:

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

***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 profit on the principal amount outstanding

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

The Group's financial assets carried at amortised cost comprise of cash and cash equivalents, term deposits, due from related parties and management fees and other receivables.

***Management fees receivable***

Management fees receivable are stated at original invoice amount less a provision for any expected credit loss.

***Cash and cash equivalents***

Cash and cash equivalents comprises of cash balances, bank balances, balances receivable from clearing company, balances with portfolio manager and term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

***Financial assets carried at fair value through other comprehensive income (FVOCI):***

***(i) Debt Securities at FVOCI***

A debt investment is carried at FVOCI if it meets both of the following conditions:

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

The Group does not have any debt investment carried at FVOCI.

**3 Summary of significant accounting policies (continued)**

**3.5 Financial instruments (continued)**

***(ii) Equity investments at FVOCI***

Upon initial recognition, the Group makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if 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.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the fair value reserve as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated statement of profit or loss. Dividend income on equity investments at FVOCI are recognised in the consolidated statement of profit or loss unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

***Financial assets carried at fair value through profit or loss***

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 profit 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 profit or loss. Profit income is recognised using the effective yield method. Dividend income from equity investments measured at FVTPL is recognised in the consolidated statement of profit or loss when the right to the payment has been established.

**Reclassification of financial assets**

The Group does not reclassify its financial assets subsequent to their initial recognition apart in the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

**3 Summary of significant accounting policies (continued)**

**3.5 Financial instruments (continued)**

**Derecognition of financial assets**

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or 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 profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the fair valuation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair valuation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

**Impairment and uncollectability of financial assets**

The Group records an allowance for ECLs for all debt instruments (financial assets at amortised cost) not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

The shortfall is then discounted at an approximation to the asset's original effective interest rate. For management fees receivable, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**3 Summary of significant accounting policies (continued)**

**3.5 Financial instruments (continued)**

**Financial liabilities**

**Initial recognition and measurement**

All financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group classifies all its non-derivative financial liabilities as 'other liabilities'. Financial liabilities are recognised initially at fair value plus any directly attributable transactions costs.

The Group classifies its financial liabilities other than at fair value through profit or loss as 'loans and certain other liabilities'. The Group has not classified any financial liability at "fair value through profit or loss" or "derivatives" at inception upon initial recognition.

**Subsequent measurement**

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

*Financial liabilities other than at fair value through profit or loss*

After initial recognition, financial liabilities other than at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the effective interest rate method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance cost in the consolidated statement of income.

*Islamic financing*

**Ijara finance**

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

**Tawarruq payable**

Tawarruq payable represent financial liabilities undertaken by the Group from a local bank and invested in certain properties for a fee and are carried at amortised cost.

*Other liabilities*

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

**Derecognition of financial liabilities**

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

**3 Summary of significant accounting policies (continued)**

**3.5 Financial instruments (continued)**

**Offsetting of financial instruments**

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

**3.6 Fair value**

The Group measures financial instruments, such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, and non-financial assets such as investment properties at each reporting date.

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. The fair value measurement is based on the presumption 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 to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated 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



**3 Summary of significant accounting policies (continued)**

**3.6 Fair value (continued)**

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

*Fair value of investments properties*

The determination of fair value of investment properties requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue stream, capital value of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In additions, development risks (such as construction and letting risks) are also taken consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at reporting date.

**3.7 Investment properties**

Investment properties, which are properties, held to earn rental and/or for capital appreciation, are stated at fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income for the period in which they arise.

Investment properties (including investment property under construction) are initially recorded at cost. Subsequent to initial recognition, investment properties are re-measured at fair value. Changes in fair value are taken to profit or loss. Fair values are estimated by the management in consultation with accredited external valuers.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its continuing use. Gains or losses arising on the retirement or disposal of an investment property are recognised in the consolidated statement of income.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

### 3 Summary of significant accounting policies (continued)

#### 3.8 Investment in an associate

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of the results of operations of the associate is shown on the face of the consolidated statement of income and is disclosed under 'Share of results of associate'.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Impairment loss on associates' in the consolidated statement of income.

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

#### 3.9 Fiduciary assets

Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

### **3 Summary of significant accounting policies (continued)**

#### **3.10 Furniture and equipment**

Furniture and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight line basis over the estimated useful lives of 3 to 4 years.

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

#### **3.11 Zakat**

Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance resolution No. 58/2007.

#### **3.12 Kuwait Foundation for the Advancement of Sciences (KFAS)**

The Parent Company calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

#### **3.13 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and the costs to settle the obligation are both probable, and reliably measurable.

#### **3.14 End of service benefits**

Provision is made for amounts payable to employees under the Kuwaiti Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

With respect to its national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

#### **3.15 Foreign currency translation**

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to KD at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly through other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated statement of income are recognised in the consolidated statement of income.

**3 Summary of significant accounting policies (continued)**

**3.15 Foreign currency translation (continued)**

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in other comprehensive income (foreign currency translation reserve) until the disposal of the foreign operation. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

**3.16 Revenue recognition**

Revenue is measured based on the consideration to which the Group expects to be entitled with a customer and excludes amount collected on behalf of third party. The Group recognises revenue when it transfer control of a product or service to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

*Fee income*

Revenue from service performance obligation consisting of management and consultancy fees, brokerage fees etc are recognised either at a point of time or over time when the respective performance obligations in contract are delivered to the customer.

*Rental income*

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

*Dividend income*

Dividend income is recognised when the right to receive payment is established.

**3.17 Contingencies**

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

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

**3.18 Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of or abandoned.

Discontinued operations are presented in the consolidated statement of income as a single line which comprises the post-tax profit or loss of the discontinued operations along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

**3 Summary of significant accounting policies (continued)**

**3.19 Leases**

***Group as lessee***

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

***Group as lessor***

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating lease.

**4 Cash and cash equivalents**

	<b>2020</b>	2019
	<b>KD</b>	KD
Cash balances	-	114
Bank balances	<b>444,359</b>	1,828,675
Balances with investment portfolio	<b>717,139</b>	6,232
Balances receivable from clearing company	<b>68,190</b>	75,893
	<b><u>1,229,688</u></b>	<u>1,910,914</u>

**5 Term deposits**

Term deposits are denominated in KD and held with the local banks in Kuwait, bears an interest rate of 1.45% (2019: 3.35%) per annum.

**6 Management fees and other receivables**

	<b>2020</b>	2019
	<b>KD</b>	KD
Prepaid expenses	<b>2,634</b>	14,448
Management fees receivable*	<b>43,958</b>	150,600
Receivable for sale of investment property	-	550,000
Other receivables	<b>466,934</b>	260,606
	<b><u>513,526</u></b>	<u>975,654</u>

\*Expected credit loss (ECL) computed in accordance with the simplified approach set out in IFRS 9 was immaterial.

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

7	Financial assets at fair value through profit or loss	2020 KD	2019 KD
	<i>Held for trading</i>		
	Quoted equity securities	1,352,681	1,630,838
	Unquoted equity securities	2,852,721	2,783,438
	<i>Non-trading financial assets designated upon initial recognition:</i>		
	Investments in managed portfolio	660,430	659,994
		<u>4,865,832</u>	<u>5,074,270</u>
8	Financial assets at fair value through other comprehensive income	2020 KD	2019 KD
	<i>Quoted securities :</i>		
	Equities	8,181,046	6,905,474
	<i>Unquoted securities:</i>		
	Equities	138,832	346,008
	Managed equity funds	430,979	459,150
	Managed portfolio	22,994	22,995
		<u>8,773,851</u>	<u>7,733,627</u>

Managed equity funds amounting to KD 430,979 (2019: KD 459,150) are carried at the latest net assets value provided by the fund manager.

During the year 2020, the equity investments at fair value through other comprehensive income amounting to KD 311,871 (2019 : KD 4,080,123) was derecognised on disposal and net cumulative losses previously recognised in other comprehensive income amounting to KD 51,835 (2019 : KD 114,957) was transferred to the retained earnings.

## 9 Related party transactions

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

Balances with related parties are as follows:

	Ultimate parent company KD	Associate KD	Entities under common control KD	Total KD
<b>As at 31 December 2020</b>				
Due from related parties	67,666	-	36,398	104,064
Financial assets at fair value through other comprehensive income	9,045	-	8,189,201	8,198,246
Due to related parties	-	33,505	-	33,505

Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

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

9 Related party transactions (continued)	Ultimate parent company	Associate	Entities under common control	Total
	KD	KD	KD	KD
As at 31 December 2019				
Due from related parties	1,637	-	18,662	20,299
Financial assets at fair value through other comprehensive income	7,200	-	6,922,110	6,929,310
Due to related parties	-	74,564	-	74,564

Transactions with related parties are as follows:

For the year ended 31 December 2020	Ultimate parent company	Associate	Entities under common control	Total
	KD	KD	KD	KD
Management fees	85,890	-	31,702	117,592
General and administrative expenses	51,901	70,432	-	122,333

For the year ended 31 December 2019	Ultimate parent company	Associate	Entities under common control	Total
	KD	KD	KD	KD
Management fees	66,884	-	39,147	106,031
General and administrative expenses	44,474	62,551	-	107,025

Key management personnel compensation

	2020	2019
	KD	KD
Salaries and short-term employee benefits	93,687	116,636
End of service benefits	6,000	7,092
	<u>99,687</u>	<u>123,728</u>

10 Investment in associate

Name of company	Principal activity	Country of incorporation	Legal ownership %	
			2020	2019
<b>Directly held</b>				
N.U.C. National For General Trading Company W.L.L. ("NUCC")*	Trading and services of Computer Equipment	Kuwait	35%	35%

Sharq Investment Company K.S.C. (Closed) and its Subsidiaries  
Kuwait

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**10 Investment in associate (continued)**

Summarised financial information of the associate is as follows:

	2020	2019
	KD	KD
<b>Share of associate's statement of financial position:</b>		
Total assets	977,611	1,739,709
Total liabilities	(194,003)	(452,808)
<b>Net assets</b>	<b>783,608</b>	<b>1,286,901</b>
<b>The Group share of net assets (at 35%)</b>	<b>274,263</b>	<b>450,415</b>
<b>Group's share of associate's profit for the year:</b>		
Revenue	646,221	959,715
Expense	(640,902)	(862,660)
Profit	5,319	97,055
Effect (loss) of change in previously reported results of associate*	(508,611)	-
Share of results (at 35%)	(176,152)	33,969

\*The Group share of result from associate during the year 2019 was accounted based on management accounts. Subsequent variance in net results based on audited accounts is accounted during the year 2020.

**11 Investment properties**

	2020	2019
	KD	KD
Properties in Kuwait	13,230,750	11,460,000
<i>Movements in investment properties are as follows:</i>		
Opening balance as at 1 January	11,460,000	1,190,511
Transfer from property under development / advance paid	-	11,037,227
Additions	7,487,400	718,500
Disposals	(4,950,000)	(1,009,011)
Change in fair value of investment properties	(766,650)	(477,227)
	<b>13,230,750</b>	<b>11,460,000</b>

As at 31 December 2020, the fair value of investment properties was KD 13,230,750 (2019: KD 11,460,000). The fair value has been determined based on valuation performed by two independent professional real estate valuation experts who are specialised in valuing such type of properties.

The valuation was performed using capitalization of income approach.

The valuation of investment properties is categorized as level 2 of fair value hierarchy and valued using observable market inputs.

Investment properties with a carrying value of KD 829,000 (2019: KD 910,000) are registered in the name of a local bank on behalf of the Group. These investment properties are leased from the local bank with a promise to buy at the end of the lease period (under Ijara financing, refer note 13).

Investment properties with a carrying value of KD 10,100,000 (2019: KD 10,550,000) are mortgaged as security against tawarruq payable (note 13)



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12 Furniture and equipment

	Equipment KD	Furniture and fixtures KD	Total KD
<b>Cost :</b>			
As at 1 January 2020	378,449	127,087	505,536
Additions	637	200	837
<b>As at 31 December 2020</b>	<b>379,086</b>	<b>127,287</b>	<b>506,373</b>
<b>Depreciation :</b>			
As at 1 January 2020	374,655	125,351	500,006
Charge for the year	1,432	598	2,030
<b>As at 31 December 2020</b>	<b>376,087</b>	<b>125,949</b>	<b>502,036</b>
<b>Net book value as at 31 December 2020</b>	<b>2,999</b>	<b>1,338</b>	<b>4,337</b>

	Equipment KD	Furniture and fixtures KD	Total KD
<b>Cost :</b>			
As at 1 January 2019	377,216	126,807	504,023
Additions	1,233	280	1,513
<b>As at 31 December 2019</b>	<b>378,449</b>	<b>127,087</b>	<b>505,536</b>
<b>Depreciation :</b>			
As at 1 January 2019	373,424	124,893	498,317
Charge for the year	1,231	458	1,689
<b>As at 31 December 2019</b>	<b>374,655</b>	<b>125,351</b>	<b>500,006</b>
<b>Net book value as at 31 December 2019</b>	<b>3,794</b>	<b>1,736</b>	<b>5,530</b>

The depreciation charge has been allocated to general and administrative expenses in the consolidated statement of income

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13 Islamic financing	2020			2019
	Tawarruq KD	Ijara KD	Total KD	Total KD
Gross amount	6,048,082	430,300	6,478,382	6,422,000
Deferred finance cost	(48,082)	-	(48,082)	(11,000)
	<u>6,000,000</u>	<u>430,300</u>	<u>6,430,300</u>	<u>6,411,000</u>
Maturity of Islamic financing is as follows:				
Within one year	-	430,300	430,300	711,000
over one year	6,000,000	-	6,000,000	5,700,000
	<u>6,000,000</u>	<u>430,300</u>	<u>6,430,300</u>	<u>6,411,000</u>

Tawarruq financing represents finance obtained from a local bank against security of certain investment properties valued KD 10,100,000 (2019: KD 10,550,000) (note 11) which is repayable as per the agreement with the bank and carries an effective interest rate of 1.75% (2019: 1.75%) per annum over and above CBK rate.

Ijara financing represents Islamic financing obtained from local bank to finance the purchase of certain investments properties (note 11). The leased investment properties in Kuwait are leased to the parent company under the Ijara financing with a promise to buy at the end of the lease period which is one year from the date of the contract and it carries an effective profit rate agreed with the bank.

14 Other liabilities	2020 KD	2019 KD
Trade payables	408,108	410,174
Accrued expenses	17,400	101,641
Staff payables	172,598	142,593
Provisions and other payables*	998,682	998,735
	<u>1,596,788</u>	<u>1,653,143</u>

\*Provisions and other payables include KD 945,000 (2019: 945,000) provision towards financial implication of certain legal cases which are pending in the court.

15 Share capital

The authorised, issued and fully paid share capital comprises 151,850,000 (2019: 151,850,000) shares of 100 fils (2019: 100 fils) each. This consists of 83,254,141 (2019: 83,254,141) shares which are fully paid in cash and 68,595,859 (2019: 68,595,859) shares which were issued on merger of Dana Investment Company K.S.C. (Closed).

**16 Statutory reserve**

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit attributable to the Parent Company for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat and Directors' remuneration is to be transferred to statutory reserve. The Parent Company's Board of Directors may resolve to discontinue such annual transfers when the reserve either equals or exceeds 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

**17 Voluntary reserve**

In accordance with the Parent Company's articles of association, 10% of the profit attributable to the Parent Company for the year before contribution to Kuwait Foundation for the Advancement of Sciences, Zakat and Directors' remuneration less accumulated losses brought forward is to be transferred to the voluntary reserve.

The Group may resolve to discontinue such annual transfers in accordance with a resolution of the Parent Company's ordinary general meeting based on proposal submitted by the Parent Company's Board of Directors.

**18 Fiduciary assets**

The aggregate value of assets held in a fiduciary capacity by the Group at 31 December 2020 amounts to KD 349,997,189 (2019: KD 408,839,699) and the management fees earned from the fiduciary activities amounted to KD 502,818 (2019: KD 540,092).

	2020 KD	2019 KD
<i>Breakup of assets held in a fiduciary capacity</i>		
Financial assets portfolio	345,049,761	384,933,699
Real estate portfolio	4,947,428	23,906,000
	<u>349,997,189</u>	<u>408,839,699</u>

**19 Fair value measurement**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. The fair values of financial instruments are not materially different from their carrying values.

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

	Level 1 KD	Level 3 KD	Total KD
<b>2020</b>			
<i>Financial assets at fair value through profit or loss (FVTPL) :</i>			
Financial assets held for trading	1,352,681	2,852,721	4,205,402
Financial assets designated upon initial recognition	-	660,430	660,430
	<u>1,352,681</u>	<u>3,513,151</u>	<u>4,865,832</u>

19 Fair value measurement (continued)

2020 (continued)	Level 1 KD	Level 3 KD	Total KD
<b>Financial assets at fair value through other comprehensive income (FVOCI) :</b>			
Equities	8,181,046	138,832	8,319,878
Managed equity funds	-	430,979	430,979
Managed portfolio	-	22,994	22,994
	<u>8,181,046</u>	<u>592,805</u>	<u>8,773,851</u>
2019	Level 1 KD	Level 3 KD	Total KD
<b>Financial assets at fair value through profit or loss</b>			
Financial assets held for trading	1,630,838	2,783,438	4,414,276
Financial assets designated upon initial recognition	-	659,994	659,994
	<u>1,630,838</u>	<u>3,443,432</u>	<u>5,074,270</u>
<b>Financial assets at fair value through other comprehensive income (FVOCI) :</b>			
Equities	6,905,474	346,008	7,251,482
Managed equity funds	-	459,150	459,150
Managed portfolio	-	22,995	22,995
	<u>6,905,474</u>	<u>828,153</u>	<u>7,733,627</u>

Movement in Level 3 financial instrument is as follows :

2020	At 1 January KD	Net result recorded in other comprehensive income KD	Net result recorded in consolidated statement of income KD	Net purchase, transfer, sales and settlements KD	As at 31 December KD
FVTPL	3,443,432	-	175,491	(105,772)	3,513,151
FVOCI	828,154	(44,332)	-	(191,016)	592,806
2019	At 1 January KD	Net result recorded in other comprehensive income KD	Net result recorded in consolidated statement of income KD	Net purchase, transfer, sales and settlements KD	As at 31 December KD
FVTPL	1,753,587	-	182,141	1,507,704	3,443,432
FVOCI	992,780	150,607	-	(315,233)	828,154

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

**20 Maturity analysis of assets and liabilities**

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment in an associate and investment properties is based on management's estimate of liquidation of those assets.

The maturity profile of assets and liabilities is as follows:

	Within 3 months KD	Within 3 to 6 months KD	Within 6 to 12 months KD	Over 12 months KD	Total KD
<b>2020</b>					
<b>ASSETS</b>					
Cash and cash equivalents	1,229,688	-	-	-	1,229,688
Term deposits	100,000	100,000	-	-	200,000
Management fees and other receivables	-	513,526	-	-	513,526
FVTPL	1,352,681	-	3,513,151	-	4,865,832
FVOCI	-	-	-	8,773,851	8,773,851
Due from related parties	-	104,064	-	-	104,064
Investment in associate	-	-	-	274,263	274,263
Investment properties	-	-	-	13,230,750	13,230,750
Furniture and equipment	-	-	-	4,337	4,337
<b>Total assets</b>	<b>2,682,369</b>	<b>717,590</b>	<b>3,513,151</b>	<b>22,283,201</b>	<b>29,196,311</b>
	Within 3 months KD	Within 3 to 6 months KD	Within 6 to 12 months KD	Over 12 months KD	Total KD
<b>2020</b>					
<b>LIABILITIES</b>					
Due to related parties	-	33,505	-	-	33,505
Islamic financing	-	-	430,300	6,000,000	6,430,300
Other liabilities	263,630	-	1,249,660	83,498	1,596,788
<b>Total Liabilities</b>	<b>263,630</b>	<b>33,505</b>	<b>1,679,960</b>	<b>6,083,498</b>	<b>8,060,593</b>

**20 Maturity analysis of assets and liabilities (continued)**

2019	Within 3 months KD	Within 3 to 6 months KD	Within 6 to 12 months KD	Over 12 months KD	Total KD
<b>ASSETS</b>					
Cash and cash equivalents	1,910,914	-	-	-	1,910,914
Term deposits	500,000	-	-	-	500,000
Management fees and other receivables	474,107	501,547	-	-	975,654
FVTPL	1,630,838	-	3,443,432	-	5,074,270
FVOCI	-	-	-	7,733,627	7,733,627
Due from related parties	-	20,299	-	-	20,299
Investment in associate	-	-	-	450,415	450,415
Investment properties	-	-	-	11,460,000	11,460,000
Furniture and equipment	-	-	-	5,530	5,530
<b>Total assets</b>	<b>4,515,859</b>	<b>521,846</b>	<b>3,443,432</b>	<b>19,649,572</b>	<b>28,130,709</b>
<b>LIABILITIES</b>					
Due to related parties	15,000	59,564	-	-	74,564
Islamic financing	-	-	711,000	5,700,000	6,411,000
Other liabilities	223,734	-	1,357,190	72,219	1,653,143
<b>Total Liabilities</b>	<b>238,734</b>	<b>59,564</b>	<b>2,068,190</b>	<b>5,772,219</b>	<b>8,138,707</b>

**21 Financial risk management**

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, currency risk and equity price risk. It is also subject to prepayment risk and operational risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

**21.1 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation as it falls due and cause the other party to incur a financial loss.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with individual counterparties, and continually assessing the creditworthiness of counterparties.

**21 Financial risk management (continued)**

**21.1 Credit risk (continued)**

The Group is exposed to credit risk on its cash and cash equivalents, term deposit, due from related parties management fee receivable and receivable for sale of investment property. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

**Gross maximum exposure to credit risk**

The table below shows the gross maximum exposure to credit risk across financial assets net of provision before taking into consideration the effect of credit risk mitigation.

	2020 KD	2019 KD
Bank balances and other cash equivalents	1,229,688	1,910,800
Term deposits	200,000	500,000
Due from related parties	104,064	20,299
Management fees and other receivables	510,892	961,206
Total gross maximum credit risk exposure	<u>2,044,644</u>	<u>3,392,305</u>

As at 31 December 2020 and 2019, the Group didn't have any collateral held against the credit exposure, hence the gross maximum credit risk is similar to net maximum credit risk.

The exposures set above are based on net carrying amounts as reported in the consolidated statement of financial position.

The Parent Company seeks to limit its credit risk with respect to its bank balances by only dealing with reputed banks.

**Analysis of past due but not impaired**

The Group does not have any past due but not impaired financial assets at 31 December 2020 and 31 December 2019.

**Risk concentrations of the maximum exposure to credit risk:**

The Group's gross maximum exposure to credit risk, before taking into account any collateral held, can be analysed by the following geographical regions and industrial sectors:

	Kuwait KD	GCC KD	Total KD
<b>2020</b>			
Banking and financial services	1,261,191	168,497	1,429,688
Others	614,956	-	614,956
	<u>1,876,147</u>	<u>168,497</u>	<u>2,044,644</u>
	Kuwait KD	GCC KD	Total KD
<b>2019</b>			
Banking and financial services	2,410,800	-	2,410,800
Others	981,505	-	981,505
	<u>3,392,305</u>	<u>-</u>	<u>3,392,305</u>

## 21 Financial risk management (continued)

### 21.1 Credit risk (continued)

#### *Impairment losses (expected credit losses)*

An allowance is recorded for expected credit loss (ECL) on management fee receivables based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The expected loss rates are based on the ageing profile of customers as well as the corresponding historical credit losses. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Expected credit losses for balances with local banks is considered negligible, since the counterparties are reputable banks with high quality external credit rating.

### 21.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Parent Company. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The Group maintains a portfolio of marketable and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities is provided in note 20.

### 21.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of change in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

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

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of all future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is managed by the treasury department of the Parent Company. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. It is the Group's policy to manage its interest cost using a mix of fixed and variable rate debts. The Group aims to keep a certain portion of its borrowings at variable rates of interest.



**21 Financial risk management (continued)**

**21.3 Market risk (continued)**

The Group is exposed to interest rate risk on its variable interest bearing assets and liabilities which mainly includes term deposits and islamic financing.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's results, based on floating rate financial assets and financial liabilities held at 31 December 2020 and 2019. There is no impact on equity.

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

	<b>Increase of 50 basis points</b>	
	<b>Effect on profit</b>	
	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
KD	<b>(31,000)</b>	<b>(29,500)</b>
	<b>(31,000)</b>	<b>(29,500)</b>

*Foreign currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk is managed by the treasury department of the Parent Company on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

The effect on profit, as a result of change in currency rate by 5%, with all other variables held constant is shown below:

	<b>Effect on profit by change of</b>	
	<b>currency rate by 5%</b>	
	<b>2020</b>	<b>2019</b>
	<b>KD</b>	<b>KD</b>
Foreign currencies	<b>86,345</b>	<b>56,009</b>
	<b>86,345</b>	<b>56,009</b>

*Equity price risk*

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The majority of Group's quoted investments are listed on the Kuwait Stock Exchange. The unquoted equity price risk exposure arises from the Group's unquoted financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income.

**21 Financial risk management (continued)**

**21.3 Market risk (continued)**

*Equity price risk (continued)*

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

	Change in equity prices %	Effect on other comprehensive income		Effect on income statement	
		2020 KD	2019 KD	2020 KD	2019 KD
<i>Market indices</i>					
Kuwait	+/-10	834,614	727,774	373,659	398,627
Others	+/-10	42,771	45,589	112,925	108,800

**22 Capital management**

The primary objective of the Group's capital management policies is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend pay out to shareholders or issue new shares.

No changes were made in the objectives, policies or processes of the capital management during the year ended 31 December 2020 and 31 December 2019.

As at 31 December 2020 and 2019, the capital comprises of share capital, statutory reserve, voluntary reserve, cumulative change in fair value reserve and retained earnings and is measured at KD 21,103,197 (2019: KD 19,972,280).

**23 Comparatives**

Certain comparative figures have been reclassified to confirm with to current year presentation but no effect on previously reported net profit or equity.

#### 24 Covid-19 Assessment

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 to manage the potential disruption of the Covid-19 outbreak. The Group's main revenue generating activity is managing investment portfolios of the clients and leasing out investment properties. In response to the current situation the Group has restructured their administrative expenses to reduce spending. The Group has also applied for cancellation of dividend declared in annual general meeting for previous year. 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 statement. Below are the key assumptions about the future and other key source of estimation that may have a significant risk of causing material adjustment to the consolidated financial statement:

##### *Impairment of non-financial assets including fair valuation of investment properties*

The Group has considered any impairment indicators arising due to the above situation and any significant uncertainties around its furniture and equipment, other non-financial assets and fair valuation of investment properties arising due to disruption to business and concluded that there is material impact due to Covid-19, which resulted in decrease in fair value of investment property by KD 766,650.

##### *Impairment of financial assets*

The Group has assessed its financial assets for any indicators of impairment and concluded there is immaterial loss on account of Covid-19 by KD 28,579 on financial assets at fair value through profit or loss.

##### *Commitments and contingent liabilities*

The Group has assessed the impact of any operational disruptions with a view of potential increase in contingent liabilities and commitments and no major impact was identified.

##### *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 Group has concluded that it has enough resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, this consolidated financial statement has been prepared on a going concern basis.