MUBARRAD HOLDING COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
STATE OF KUWAIT
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH
INDEPENDENT AUDITOR'S REPORT

MUBARRAD HOLDING COMPANY - K.S.C.P.
AND ITS SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Mubarrad Holding Company - K.S.C.P. and its Subsidiaries
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Valuation of investment properties

Investment properties as at December 31, 2020 amounting to KD 14,062,354 (2019: KD 13,967,371) represent a significant part of the Group's total assets. The valuation of investment properties is a key audit matter because it contains significant judgments and assumptions that are highly reliant on accounting estimates. The Group's policy is to evaluate investment properties at least once a year through licensed external valuers. These assessments, among other valuations, are based on assumptions such as estimated rental income, discount rates, occupancy rates, market knowledge, developer risks and historical transactions. For the purpose of estimating the fair value of investment properties, valuers had used income capitalization and market sales comparison valuation techniques, taking into consideration the nature and use of investment properties. We have reviewed the valuation reports issued by the licensed external valuers and focused on the adequacy of disclosures of investment properties as provided in Note (10) to the consolidated financial statements.

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Other Information included in the Annual Report of the Group for the year ended December 31, 2020

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditors' report thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, we consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

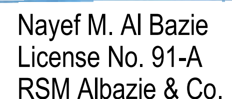
We also provide Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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

Furthermore, we have not become aware of any material violations of the provisions of Law 7 of 2010 and its Executive Regulations, as amended, relating to the Capital Markets Authority and its related regulations during the year ended December 31, 2020 that might have had a material effect on the Parent Company's financial position or results of its operations.



Nayef M. Al Bazie
License No. 91-A
RSM Albazie & Co.

State of Kuwait
February 23, 2021

MUBARRAD HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020
(All amounts are in Kuwaiti Dinars)

ASSETS	Notes	2020	2019
Current assets:			
Cash and cash equivalents	3	**1,298,691**	2,222,061
Term deposits	4	**1,000,000**	800,000
Accounts receivable and other debit balances	5	**2,235,046**	1,139,297
Inventories		**18,022**	605,317
Total current assets		**4,551,759**	4,766,675
Non-current assets:			
Financial assets at fair value through profit or loss	8	**894,459**	887,889
Investment in associate	9	**3,587,040**	3,784,469
Investment properties	10	**14,062,354**	13,967,371
Property, plant and equipment	11	**88,514**	1,488,921
Goodwill		**91,005**	91,005
Total non-current assets		**18,723,372**	20,219,655
Total assets		**23,275,131**	24,986,330
LIABILITIES AND EQUITY			
Current liabilities:			
Lease liabilities	12	**1,828,791**	2,405,522
Accounts payable and other credit balances	13	**1,168,752**	1,344,366
Due to a related party	6	**655**	655
Total current liabilities		**2,998,198**	3,750,543
Non-current liabilities			
Lease liabilities	12	**-**	27,068
Provision for end of service indemnity	14	**327,490**	487,371
Total non-current liabilities		**327,490**	514,439
Total liabilities		**3,325,688**	4,264,982
Equity:			
Share capital	15	**16,369,277**	16,369,277
Statutory reserve	16	**1,064,855**	1,064,121
Treasury shares	18	**(671)**	(671)
Treasury shares reserve		**84,388**	84,388
Other components of equity		**(3,594)**	(3,594)
Effect of changes in other comprehensive income of associate		**117,874**	117,874
Foreign currencies translation reserve		**(1,411,873)**	(1,458,221)
Retained earnings		**3,677,433**	4,491,956
Equity attributable to Shareholders of the Parent Company		**19,897,689**	20,665,130
Non-controlling interests		**51,754**	56,218
Total equity		**19,949,443**	20,721,348
Total liabilities and equity		**23,275,131**	24,986,330

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

Abdullah Mohammed Al-Shatti
Chairman

MUBARRAD HOLDING COMPANY - K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts are in Kuwaiti Dinars)

	Notes	2020	2019 (*)
Continuing operations:			
Revenues from transportation, leasing and maintenance operations		**164,552**	483,355
Cost of transportation, leasing and maintenance operations		**(215,803)**	(399,684)
Gross (loss) profit		**(51,251)**	83,671
Rental revenues		**1,402,361**	1,746,119
Rental costs		**(346,056)**	(247,229)
Gross profit		**1,056,305**	1,498,890
Total gross profit		**1,005,054**	1,582,561
General and administrative expenses	19	**(585,928)**	(598,659)
Allowance for expected credit losses	5 – b	**(93,922)**	(17,464)
Provision for obsolete and slow moving inventories		**(10,023)**	-
Profit from operations		**315,181**	966,438
Change in fair value of financial assets at fair value through profit or loss	8	**(702)**	(12,764)
Gain on sale of property, plant and equipment		**66,328**	-
Group's share of results from associate	9	**(155,793)**	(79,761)
Change in fair value of investment properties	10	**-**	279,510
Return income		**32,458**	49,228
Finance charges		**(121,228)**	(188,153)
Foreign exchange differences		**(8,338)**	85,899
Other income		**77,230**	43,526
Profit for the year from continuing operations before discontinued operations and contributions to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		**205,136**	1,143,923
Discontinuing operations:			
Loss for the year from discontinued operations	7	**(199,617)**	(50,375)
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		**5,519**	1,093,548
Contribution to KFAS	2 – u	**(66)**	(8,245)
Contribution to NLST	2 – v	**(1,896)**	(27,969)
Contribution to Zakat	2 – w	**(758)**	(9,501)
Board of Directors' remuneration	22	**-**	(30,000)
Profit for the year		**2,799**	1,017,833
Attributable to:			
Shareholders of the Parent Company		**4,620**	1,014,632
Non-controlling interests		**(1,821)**	3,201
		2,799	1,017,833
Earnings per share attributable to shareholders of the Parent Company		**Fils**	Fils
Basic earnings per share from continuing operations	20	**1.25**	6.59
Basic loss per share from discontinued operations	20	**(1.22)**	(0.31)
Earnings per share attributable to shareholders of the Parent Company	20	**0.03**	6.28

(*) Certain figures for the comparative year ended December 31, 2019 have been reclassified to discontinued operations (Note 7).

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts are in Kuwaiti Dinars)

	2020	2019
Profit for the year	**2,799**	1,017,833
Other comprehensive income:		
Item that may be reclassified subsequently to consolidated statement of profit or loss		
Exchange differences on translating foreign operations	**46,348**	310,767
Other comprehensive income for the year	**46,348**	310,767
Total comprehensive income for the year	**49,147**	1,328,600
Attributable to:		
Shareholders of the Parent Company	**50,968**	1,325,399
Non-controlling interests	**(1,821)**	3,201
	49,147	1,328,600

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

MUBARRAD HOLDING CO. K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts are in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company										
	Share Capital	Statutory reserve	Treasury shares	Treasury shares reserve	Other components of equity	Effect of changes in other comprehensive income of associate	Foreign currencies translation reserve	Retained earnings	Sub-total	Non – controlling interests	Total equity
Balance at January 1, 2019	16,369,277	955,086	(476,135)	84,388	(3,594)	117,874	(1,768,988)	4,841,265	20,119,173	57,297	20,176,470
Profit for the year	-	-	-	-	-	-	-	1,014,632	1,014,632	3,201	1,017,833
Other comprehensive income for the year	-	-	-	-	-	-	310,767	-	310,767	-	310,767
Total comprehensive income for the year	-	-	-	-	-	-	310,767	1,014,632	1,325,399	3,201	1,328,600
Dividends in-kind 5% (Note 21)	-	-	475,464	-	-	-	-	(475,464)	-	-	-
Cash dividends 5% (Note 21)	-	-	-	-	-	-	-	(779,442)	(779,442)	-	(779,442)
Cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(4,280)	(4,280)
Transferred to statutory reserve	-	109,035	-	-	-	-	-	(109,035)	-	-	-
Balance at December 31, 2019	16,369,277	1,064,121	(671)	84,388	(3,594)	117,874	(1,458,221)	4,491,956	20,665,130	56,218	20,721,348
Profit (loss) for the year	-	-	-	-	-	-	-	4,620	4,620	(1,821)	2,799
Other comprehensive income for the year	-	-	-	-	-	-	46,348	-	46,348	-	46,348
Total comprehensive income (loss) for the year	-	-	-	-	-	-	46,348	4,620	50,968	(1,821)	49,147
Cash dividends 5% (Note 21)	-	-	-	-	-	-	-	(818,409)	(818,409)	-	(818,409)
Cash dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(2,643)	(2,643)
Transferred to statutory reserve	-	734	-	-	-	-	-	(734)	-	-	-
Balance at December 31, 2020	**16,369,277**	**1,064,855**	**(671)**	**84,388**	**(3,594)**	**117,874**	**(1,411,873)**	**3,677,433**	**19,897,689**	**51,754**	**19,949,443**

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

MUBARRAD HOLDING CO. K.S.C.P. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(All amounts are in Kuwaiti Dinars)

Cash flows from operating activities:	Notes	**2020**	2019
Profit for the year from continued operations		**205,136**	1,143,923
Loss for the year from discontinued operations	7	**(199,617)**	(50,375)
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		**5,519**	1,093,548
Adjustments for:			
Depreciation	11	**-**	59,167
Allowance for expected credit losses	5 – b	**93,922**	(9,592)
Provision for obsolete and slow moving inventories		**10,023**	-
Change in fair value of financial assets at fair value through profit or loss	8	**702**	12,764
Gain on sale of property, plant and equipment		**(66,328)**	-
Group's share of results from associate	9	**155,793**	79,761
Change in fair value of investment properties	10	**-**	(279,510)
Return income		**(32,458)**	(50,283)
Finance charges		**121,228**	189,210
Provision for end of service indemnity	14	**61,353**	71,730
Loss on sale of a subsidiary	7	**199,617**	-
		549,371	1,166,795
Changes in operating assets and liabilities:			
Accounts receivable and other debit balances		**114,214**	(21,801)
Net movement in related parties		**(5,255)**	(11,795)
Inventories		**2,299**	(24,478)
Accounts payable and other credit balances		**44,927**	(64,080)
Cash flows generated from operations		**705,556**	1,044,641
Payment of end of service indemnity	14	**(96,803)**	(14,048)
Payment of KFAS		**(9,714)**	(16,008)
Payment of NLST		**(27,969)**	(48,084)
Payment of Zakat		**(11,222)**	(18,767)
Payment of Board for Directors' remuneration	22	**(30,000)**	(30,000)
Net cash flows generated from operating activities		**529,848**	917,734
Cash flows from investing activities:			
Net movement in term deposits		**(200,000)**	(800,000)
Proceeds from sale of financial assets at fair value through profit or loss		**-**	1,257
Paid for purchase of financial assets at fair value through profit or loss	8	**(7,272)**	-
Paid for purchase of property, plant and equipment	11	**-**	(5,540)
Proceeds from sale of property, plant and equipment		**310,727**	-
Return income received		**32,458**	50,283
Net cash flows generated from (used in) investing activities		**135,913**	(754,000)
Cash flows from financing activities:			
Net movement in lease liabilities		**(608,217)**	(723,763)
Cash dividends paid		**(789,418)**	(763,015)
Dividends paid to non–controlling interests		**(2,643)**	(4,280)
Finance charges paid		**(100,333)**	(137,297)
Net cash flows used in financing activities		**(1,500,611)**	(1,628,355)
Foreign currencies translation adjustments		**(1,744)**	(57,141)
Net decrease in cash and cash equivalents		**(836,594)**	(1,521,762)
Cash related to discontinued operations	7	**(86,776)**	-
Cash and cash equivalents at beginning of the year		**2,222,061**	3,743,823
Cash and cash equivalents at end of the year	3	**1,298,691**	2,222,061

The accompanying notes (1) to (28) form an integral part of the consolidated financial statements.

1. Incorporation and activities of the Parent Company

Mubarrad Holding Company K.S.C.P. "the Parent Company", is a Kuwaiti Public Shareholding Company registered in State of Kuwait and was incorporated pursuant to Memorandum of Incorporation of a limited liability Company, authenticated at the Ministry of Justice - Real Estate Registration and Authentication Department – under No. 366/Volume 1 dated March 6, 1996 and its subsequent amendments, the latest of which was notarized on the Company's Commercial Registry pursuant to a Memorandum No. 5/12 dated December 4, 2017 issued from Shareholding Companies' Administration, based on the Parent Company Shareholders' Extraordinary General Assembly meeting held on November 22, 2017.

The main activities for which the Parent Company was incorporated are as follows:

- Managing the Parent Company's subsidiaries and participating in managing other companies in which it holds ownership stakes and providing necessary support thereto.
- Investing funds through trading in shares, bonds, and other financial securities.
- Acquisition of properties and movables necessary to carry out business activities as allowable by the Law.
- Financing and extending loans to investee companies and providing guarantees to third parties, provided that the ownership of the Parent Company is not less than 20% in the capital of the lending company.
- Acquisition of industrial rights and related intellectual properties, trademarks, industrial models, franchises and other rights, and renting such properties and rights to subsidiaries and other companies, inside State of Kuwait or abroad.

The Parent Company shall comply with the provisions of Islamic Sharia, and in no case it shall interpret the above activities as permitting the Parent Company to carry out any usurious business in the form of interest or any other form directly or indirectly.

The Parent Company may perform directly all of the above activities inside or outside the State of Kuwait or through agents on its behalf. The Parent Company may have an interest or participation in entities of similar activities which could assist the Parent Company in achieving its objectives inside or outside the State of Kuwait. The Parent Company may also establish, participate in or acquire such entities.

The Parent Company is registered in the commercial register under Ref. No. 64715 on October 10, 2004.

The registered address of the Parent Company's office is Old Khaitan, Block 29, Street 22, State of Kuwait.

The Parent Company is 39.152% owned by A'ayan Leasing and Investment Group K.S.C. (Public) ("The Ultimate Parent Company").

The consolidated financial statements of the Group were authorized for issue by the Parent Company's Board of Directors on February 23, 2021. The consolidated financial statements are subject to approval by The Parent Company's shareholders' Ordinary General Assembly. The Parent Company's shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

2. Significant Accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting standards ("IFRS") as issued by the International Accounting Standards Board (IASB). Significant accounting policies are summarized as follows:

a) Basis of preparation

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is functional currency of the Company and are prepared under the historical cost basis except for Financial assets at fair value through profit or loss and investment properties that are stated at their fair value.

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note (2 - aa). The key sources of estimation uncertainty are consistent with the annual audited consolidated financial statements of the Group for the year ended December 31, 2019, except for the impact of the COVID-19 outbreak on the Group which is detailed in Note (27).

Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year
The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2020:

Amendments to IFRS 3 – Definition of a Business
The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:
- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

These amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 – Definition of Material
The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated 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 consolidated financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

The Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 – Covid-19 Related Rent Concessions
On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The adoption of these standards and amendments had no material impact on the consolidated financial statements of the Group.

Standards and Interpretations issued but not effective
The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Consolidated Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued on 29 March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Consolidated Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. These amendments are not expected to have a material impact on the Group.

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendment is not expected to have a material impact on the Group.

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

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

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

Annual Improvements to IFRS Standards 2018-2020 cycle
The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. These amendments are not expected to have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

These standards and amendments are not expected to have a material impact on the consolidated financial statements of the Group.

b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Mubarrad Holding Co. K.S.C.P. (the Parent Company) and the following subsidiaries (collectively, the "Group"):

Name of subsidiaries	Country of incorporation	Principal activities	Percentage of holding 2020	2019
Batic Manufacturing Co. - W.L.L. (a), (Note 7)	State of Kuwait	Industrial	**-**	99%
Mubarrad for Development and Limited Investment Co. W.L.L.	Republic of Sudan	Logistics services	**100%**	100%
Inshaa' National Real Estate - Sole proprietorship	State of Kuwait	Real estate	**100%**	100%
Emdad Equipment Leasing Co. K.S.C. (Closed)	State of Kuwait	Logistics services	**98%**	98%
Takatof Real Estate Co. E.S.C. (a)	Arab Republic of Egypt	Real estate	**98%**	98%

a) The remaining ownership percentages is owned by related parties, and its waived to favor of the Parent Company.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company:
- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassess 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 listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:
- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the Non-controlling shareholder's share of changes in equity since the date of the combination.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance. If the Group loses control over a subsidiary, it:

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

c) Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

d) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Returns, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash and cash equivalents, term deposits, accounts receivable, financial assets at fair value through profit or loss, lease liabilities, due to related party and accounts payable.

- **Financial assets:**

i. Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

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

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

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Initial recognition

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets
The Group classifies its financial assets upon initial recognition into the following categories:
- Debt instruments at amortized cost
- Financial assets at Fair value through profit or loss (FVTPL)

Debt instruments at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions:
- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

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

Cash and cash equivalents, term deposits and trade receivables are classified as debt instruments at amortized cost.

- Cash and cash equivalents
  Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

- Term deposits
  Term deposits are placed with banks and have a contractual maturity of more than three months.

- Trade receivables
  Receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

- Financial assets at FVTPL
  Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see above) are measured at FVTPL. Specifically:

  Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment as at FVTOCI on initial recognition.

  Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

  Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

  The Group classifies investments in quoted equity and debt investments under financial assets at FVTPL in the consolidated statement of financial position.

ii. Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

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 Discontinued at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

In applying this forward-looking approach, the Group applies a three stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- 'Stage 3' (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

In assessing whether the credit quality on a financial instrument has deteriorated significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to consolidated statement of profit or loss.

- **Financial liabilities:**
All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVPL or at amortized cost using effective interest rate method.

Financial liabilities at FVPL
Financial liabilities are classified as at FVPL when the financial liability is
(i) contingent consideration of an acquirer in a business combination,
(ii) held for trading or
(iii) it is designated as at FVPL.

Financial liabilities at FVPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortized cost
Financial liabilities that are not at FVPL as above are measured subsequently at amortized cost using the effective interest method.

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

2. Finance lease payables
   Finance lease payables represent amounts payable on a deferred settlement basis for items purchased under financing contracts. Financing contracts are stated at the gross amount of the payable, net of deferred expenses payable in the future. Financing contracts expenses are recognized when matured on a time proportion basis using effective returns method.

   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 profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

- **Offsetting of financial assets and liabilities:**
  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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

e) Inventories

Inventories are valued at the lower of cost or net realizable value after providing allowances for any obsolete or slow moving items. Cost comprise direct materials , direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is determined based on a weighted average basis.

Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realizable value.

f) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

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

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

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. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

g) Investment in associate

Associates are those enterprises in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results and assets and liabilities of associates under the equity method of accounting from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group accounted for its investment in associate based on reviewed financial statements of the associate as at September 30, 2020 with amendments for any material transactions for the period from October 1 up to December 31, 2020.

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired and determine if necessary, to recognize any impairment loss with respect to the investment. If there is such evidence, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining 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 retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

h) Business combinations and Goodwill

a) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed as incurred.

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

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date and the resulting gain / loss is included in the consolidated statement of profit or loss or other comprehensive income as appropriate.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IFRS 9: Financial Instruments. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting in incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

b) <u>Goodwill</u>

Goodwill represents the excess of the consideration transferred and the amount recognized for non – controlling interest over the fair value of the identifiable assets, liabilities and contingent liabilities as at the date of the acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

Where there is an excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost, the Group is required to reassess the identification and measurement of the net identifiable assets and measurement of the cost of the acquisition and recognize immediately in the consolidated statement of profit or loss any excess remaining after that remeasurement.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

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 operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investment in associates' in Note (2 – g).

i) Property, plant and equipment
The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of profit or loss. The carrying values of property, plant 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 amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Land is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of other property, plant and equipment as follows:

	Years
Buildings	20
Tools, Machinery and equipment	4 – 10
Transportation vehicles	6 – 10
Furniture and decoration	4 – 5
Right of use assets	3 – 5

Right of utilization of leasehold land is not depreciated and is stated at cost less impairment losses.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets.

j) Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are Discontinued to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

k) Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

Such component of the group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. In other words, a component of an entity will have been a cash-generating unit or a group of cash-generating units while being held for use.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as discontinued operations.

In consolidated statement of profit or loss of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from income and expenses from continuing activities, down to the level of profit, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss is reported separately in consolidated statement of profit or loss.

l) End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

m) Dividend distribution to shareholders

The Group recognizes a liability to make cash and non-cash distributions to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent Company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

o) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves and then share premium.

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

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Parent Company's shareholders.

p) Other components of equity

Other components of equity is used to record the effect of changes in ownership interest in subsidiaries, changes in the subsidiaries' equity, without loss of control.

q) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The five steps in the model are as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group recognizes either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

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

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:
- The Group has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

The Group recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognizes either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Group expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Group is expensed as the amortization period of such costs is less than a year.

Revenue for the Group arises from the following activities:

Transportation contracts
Revenue from transportation contract is recognized over time by reference to the percentage that actual costs incurred to date bear to total estimated costs for each contract.

Other income
Other income are recognized on an accrual basis.

The accounting policy for rental income has been disclosed in Note (2 – t).

r) Provisions
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are not recognized for future operating losses.

s) Finance charges
Finance charges directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific financing pending their expenditure on qualifying assets is deducted from the Finance costs eligible for capitalization. All other finance costs are recognized in consolidated statement of profit or loss in the period in which they are incurred. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing funds.

t) Leases

Group as a lessor
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

Group as a lessee
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

1) Right of use assets
The Group recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities, The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

2) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

u) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)
Contribution to Kuwait Foundation for the Advancement of Sciences is calculated at 1% of the profit of the Parent Company before contribution to Kuwait Foundation for Advancement of Science (KFAS), contribution to National Labor Support Tax (NLST), Zakat and Board of Director's remuneration, and after deducting its share of income from Kuwait shareholding subsidiaries and associates and transfer to statutory reserve.

v) National Labor Support Tax (NLST)
National Labor Support Tax is calculated at 2.5% on the profit of the Parent Company before contribution to Kuwait Foundation for Advancement of Science (KFAS), contribution to National Labor Support Tax (NLST), Zakat and Board of Director's remuneration after deducting its share of profit from listed associates & un-consolidated subsidiaries subject to the same law, also its share of NLST paid by listed subsidiaries subject to the same law and cash dividends received from listed companies subject to the same law in accordance with law No. 19 for year 2000 and Ministerial resolution No. 24 for year 2006 and their executive regulations.

w) Contribution to Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company before contributions to Kuwait Foundation for Advancement of Science (KFAS), National Labor Support Tax (NLST), contribution to Zakat and Board of Director's remuneration after deducting its share of profit from Kuwaiti shareholding associates & un-consolidated subsidiaries subject to the same law, also its share of Zakat paid by Kuwaiti shareholding subsidiaries subject to the same law and cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

x) Foreign currencies
Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity investments which are classified as investments at fair value through profit or loss are reported as part of the fair value gain or loss.

The assets and liabilities of the foreign subsidiaries are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiaries are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in the consolidated statement of other comprehensive income. Such translation differences are recognized in the consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

y) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

z) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

aa) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) Judgments

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue Recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under 1FRS 15 and revenue accounting policy explained in Note (2 – q) are met requires significant judgment.

(ii) Determination of contract cost

Determination of costs which are directly related to the specific contract or attributable to the contract activity in general requires significant judgment. The determination of contract cost has a significant impact upon revenue recognition in respect of long-term contracts. The Group follows guidance of IFRS 15 for determination of contract cost and revenue recognition.

(iii) Classification of land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development:
When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress:
When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading:
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties:
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

The Group classifies the land as investment properties when the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined.

(iv) Provision for expected credit losses and inventories
The determination of the recoverability of the amount due from customers and the marketability of the inventory and the factors determining the impairment of the receivable and inventory involve significant judgment.

(v) Classification of financial assets
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 – d).

(vi) Business combinations
At the time of Group's acquisition to subsidiaries, the Group considers whether the acquisition represents the acquisition of a business or of an asset (or a group of assets and liabilities). The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the assets. More specifically, consideration is made to the extent of which significant processes are acquired. The significance of processes requires significant judgment.

Where the acquisition of subsidiaries does not represent a business, it is accounted for as an acquisition of an asset (or a group of assets and liabilities). The cost of acquisition is allocated to the assets and liabilities acquired based on their relative fair values, and no goodwill or deferred tax is recognized.

(vii) Taxes
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

(viii) Control assessment
When determining control over an investee, management considers whether the Group has a 'de facto' power to control an investee if it holds less than 50% of the investee's voting rights. The assessment of the investee's relevant activities and the ability to use the Group's power to affect the investee's variable returns requires significant judgment.

(ix) Significant influence assessment
When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's board of directors, participation in policy making decisions and material transactions between the investor and investee.

(x) Leases
Critical judgements required in the application of IFRS 16 include, among others, the following:
- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement,.
- Determining the stand-alone selling prices of lease and non-lease components.

b) Estimates and assumptions
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Fair value of unquoted financial assets
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, Discontinued cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Useful lives of depreciable assets
The Group reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of assets. Uncertainties in these estimates mainly relate to obsolescence and changes in operations.

(iii) Impairment of Goodwill
The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" of the asset or the cash-generating unit to which the goodwill is allocated. Estimating a value in use requires the Group to make an estimate of the expected future cash-flows from the asset or the cash-generating unit and also choose an appropriate discount rate in order to calculate the present-value of the cash-flows.

(iv) Provision for allowance for expected credit losses and inventories
The extent of provision for expected credit losses and inventories involves estimation process. Provision for expected credit losses is based on a forward looking ECL approach as explained in Note (5 – a). Bad debts are written off when identified. The carrying cost of inventories is written down to their net realizable value when the inventories are damaged or become wholly or partly obsolete or their selling prices have declined. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable and inventories are subject to management approval.

(v) Valuation of investment properties
The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of profit or loss. The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13.

Two main methods were used to determine the fair value of the investment properties:
(a) Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

(b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.

(vi) Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a Discontinued cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the Discontinued cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

(vii) Taxes
The Group recognizes a liability for the anticipated taxes levied in the jurisdictions of its activity based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Any changes in the estimates and assumptions may have an impact on the carrying values of the deferred taxes.

(viii) Leases
Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:
- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

3. Cash and cash equivalents

	2020	2019
Cash on hand and at banks	**1,298,691**	1,722,061
Short term bank deposits	**-**	500,000
	1,298,691	2,222,061

As of December 31, 2019, the effective rate of return on short term bank deposits was 3.25% per annum; these deposits have an average contractual maturity of 92 days.

4. Term deposits
The effective rate of return on term deposits is 1.3% per annum (2019: 3.5% per annum); these deposits have an average contractual maturity of six months (2019: six months).

5. Accounts receivable and other debit balances

	2020	2019
Trade receivables (a)	**1,892,769**	2,358,784
Less: Allowance for expected credit losses (b)	**(1,560,991)**	(1,551,510)
	331,778	807,274
Staff receivables	**27,198**	47,753
Less: Allowance for expected credit losses (b)	**(6,618)**	(9,680)
	20,580	38,073
Due from sale of a subsidiary (c), (Note 7)	**1,700,000**	-
Prepaid expenses	**26,000**	51,582
Refundable deposits	**64,500**	67,790
Advance payments to suppliers	**-**	5,947
Accrued income	**4,370**	7,209
Other receivables	**87,818**	161,422
	2,235,046	1,139,297

(a) Trade receivables:

Trade receivables are non-interest bearing and are generally due within 90 days.

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

The expected credit loss rates are based on ageing profile of customers over the past 3 to 5 years before December 31, 2020 and January 1, 2020 respectively as well as the corresponding historical credit losses during that period. 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.

There has been no change in the estimation techniques or significant assumptions made during the current year. During the year ended December 31, 2020, the Group's management re-assessed the expected credit loss rates for its customers as a result of increased credit risk due to the outbreak of the Coronavirus ("Covid-19").

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Neither past due nor impaired	**Past due but not impaired**				
2020	**Less than 90 days**	**91 – 180 days**	**181 – 365 days**	**Over 365 days**	**Impaired**	**Total**
Expected credit loss rates	**1.144%**	**5.308%**	**22.598%**	**25.203%**	**100%**	**-**
Gross carrying amounts	**89,778**	**25,318**	**73,176**	**217,138**	**1,487,359**	**1,892,769**
Expected credit losses	**1,027**	**1,344**	**16,536**	**54,725**	**1,487,359**	**1,560,991**

	Neither past due nor impaired	Past due but not impaired				
2019	Less than 90 days	91 – 180 days	181 – 365 days	Over 365 days	Impaired	Total
Expected credit loss rates	0.357%	0.496%	4.148%	6.252%	100%	-
Gross carrying amounts	300,292	207,769	178,249	139,163	1,533,311	2,358,784
Expected credit losses	1,072	1,032	7,394	8,701	1,533,311	1,551,510

(b) Allowance for expected credit losses:
The movement in the allowance for expected credit losses is as follows:

	2020	2019
Balance at the beginning of the year	**1,561,190**	1,590,451
Charged during the year	**93,922**	17,464
Provision no longer required (*)	**-**	(27,056)
Utilized during the year	**(3,062)**	(19,669)
Related to discontinued operations	**(84,441)**	-
Balance at the end of the year	**1,567,609**	1,561,190

(*) Provision no longer required for the year ended December 31, 2019 is related to discontinued operations.

(c) Subsequent to the consolidated financial position date, the Parent Company collected an amount of KD 1,200,000 from the balance due from sale of a subsidiary.

6. Related party disclosures

The Group has entered into various transactions with related parties, i.e. shareholders, Board of Directors, key management personnel, associates, entities under common control and other related parties. Prices and terms of payment are to be approved by the Group's management. Significant related party balances and transactions are as follows:

	Shareholders	Other related parties	Total 2020	Total 2019
Balances included in the consolidated statement of financial position:				
Financial assets at FVPL	-	292,486	**292,486**	290,705
Investment property (real estate portfolio managed by a related party – Note 10)	2,560,000	-	**2,560,000**	2,560,000
Due to a related party	655	-	**655**	655
Transactions included in the consolidated statement of profit or loss:				
Rental revenues	-	-	**-**	30,000
Rental costs	2,940	-	**2,940**	4,307

Compensation to key management personnel	**2020**	2019
Short term benefits	**82,413**	111,311
End of service benefits	**10,413**	12,340
Board of Directors' remuneration	**-**	30,000
	92,826	153,651

7. Discontinued operations

Pursuant to a resolution from the Board of Directors of the Parent Company on November 12, 2020 and a sale agreement signed on December 9, 2020 between Management of the Parent Company and other parties, one of the Group's subsidiaries was sold – Batic Manufacturing Company – W.L.L., which is owned by 100% to the Parent Company for consideration of KD 1,700,000 payable in cash, the sale agreement stated that October 31, 2020 is the date of losing control over the subsidiary.

The sale resulted in a loss of KD 199,617, presented as discontinued operations in the consolidated statement of profit or loss for the year ended December 31, 2020, calculated as follows:

	KD
Carrying value of the investment in subsidiary as of January 1, 2020	1,699,617
Share of results from the subsidiary till date of losing control	(154,871)
	1,544,746
Balance due from the subsidiary	200,000
Carrying value of the investment in subsidiary	1,744,746
Consideration amount (Note 5)	1,700,000
Loss on sale of the subsidiary	(44,746)
Share of results from the subsidiary till date of losing control	(154,871)
Loss for the year from discontinued operations	**(199,617)**

Summarized statement of financial position

	October 31, 2020	December 31, 2019
Assets:		
Cash on hand and cash at banks	**99,054**	86,776
Account receivable and other debit balances	**185,603**	396,115
Inventories	**620,377**	574,973
Property and equipment	**1,119,075**	1,156,008
Total assets	**2,024,109**	2,213,872
Liabilities:		
Accounts payable and other credit balances	**138,893**	164,630
Other liabilities	**340,470**	349,625
Total liabilities	**479,363**	514,255
Net assets	**1,544,746**	1,699,617

Summarized Statement of profit or loss for the Subsidiary from January 1, 2020 to October 31, 2020

	KD
Sales	637,560
Cost of sales	(565,928)
Gross profit	71,632
General and administrative expenses	(178,181)
Deprecation	(50,277)
Finance charges	(1,216)
Other income	3,171
Loss for the period	(154,871)
Percentage of ownership	100%
Share of results from the subsidiary till date of losing control	**(154,871)**

The net cash flows related to discontinued operations are as follows:

	October 31, 2020	December 31, 2019
Net cash flows generated from operating activities	**45,035**	11,437
Net cash flows used in investing activities	**(11,166)**	(4,484)
Net cash flows used in financing activities	**(21,591)**	(107,133)
Net cash flows related discontinued operations	**12,278**	(100,180)

8. Financial assets at fair value through profit or loss

	2020	2019
Quoted:		
Equity securities	**1,247**	1,746
Total	**1,247**	1,746
Unquoted:		
Equity securities	**427,244**	429,224
Investment portfolios	**465,968**	456,919
Total	**893,212**	886,143
Grand total	**894,459**	887,889

Movement during the year is as follows:

	2020	2019
Balance at the beginning of the year	**887,889**	901,910
Additions	**7,272**	-
Disposals	**-**	(1,257)
Change in fair value	**(702)**	(12,764)
Balance at the end of the year	**894,459**	887,889

9. Investment in associate

Investment in associate consists of the following:

Name of the associate	Country of incorporation	Principal activities	Percentage of ownership		Amount	
			2020	2019	**2020**	2019
Oman Integral Logistics Co. - O.S.C.C.	Sultanate of Oman	Logistic services	**50%**	50%	**3,587,040**	3,784,469

Movement during the year is as follows:

	2020	2019
Balance at the beginning of the year	**3,784,469**	3,866,830
Share of results from associate	**(155,793)**	(79,761)
Foreign currency translation adjustments	**(41,636)**	(2,600)
Balance at the end of the year	**3,587,040**	3,784,469

The Group's share in contingent liabilities of the associate as of December 31, 2020 amounted to KD 77,143 (2019: KD 19,420).

Summarized financial information of the associate is as follows:

Summarized statement of financial position

	Oman Integral Logistics Co. – O.S.C.C.	
	2020	2019
Assets:		
Cash and cash equivalents	**645,486**	303,010
Other current assets	**1,141,287**	1,585,882
Total current assets	**1,786,773**	1,888,892
Non-current assets	**8,405,585**	9,015,747
Total assets	**10,192,358**	10,904,639
Liabilities:		
Financial liabilities	**190,649**	73,220
Other current liabilities	**557,048**	811,382
Total current liabilities	**747,697**	884,602
Non-current liabilities	**2,346,381**	2,491,884
Non-controlling interests	**66,813**	101,817
Total liabilities	**3,160,891**	3,478,303
Net assets	**7,031,467**	7,426,336
Share in associate's net assets	**3,515,734**	3,713,168
Other adjustments	**(41,516)**	(41,521)
Net share in associate's net assets	**3,474,218**	3,671,647
Goodwill related to the investment in associate	**112,822**	112,822
Carrying value of the investment in associate	**3,587,040**	3,784,469

Summarized Statement of profit or loss and other comprehensive income

	Oman Integral Logistics Co. – O.S.C.C.	
	2020	2019
Revenues	**5,099,067**	5,674,173
Operating expenses	**(4,874,773)**	(5,563,528)
Finance charges	**(159,911)**	(164,454)
Impairment of goodwill	**(370,139)**	-
Allowance for expected credit losses	**(4,732)**	(53,152)
Non-controlling interests	**(1,098)**	(52,561)
Net loss	**(311,586)**	(159,522)
Share of results from associate	**(155,793)**	(79,761)

10. Investment properties

	Commercial complexes	Residential complex	Total
At January 1, 2019	13,100,039	117,815	13,217,854
Impact of adoption of IFRS 16 – "Leases"	77,490	-	77,490
Change in fair value	279,510	-	279,510
Foreign currency translation adjustments	378,773	13,744	392,517
At December 31, 2019	13,835,812	131,559	13,967,371
Foreign currency translation adjustments	91,657	3,326	94,983
At December 31, 2020	**13,927,469**	**134,885**	**14,062,354**

The fair value of investment properties is based on valuations performed by accredited independent valuation experts using recognized valuation techniques and principles. Management of the Group has complied with the Executive Regulations of Capital Markets Authority with respect to guidelines for valuation of investment properties.

In estimating the fair value of investment properties, the valuers had used the valuation techniques listed in the following schedule, and considering the nature and usage of the investment properties:

	2020			
Class of the investment property	**Valuation technique**	**Level 2**	**Level 3**	**Total**
Commercial complexes	**Income capitalization**	**-**	**10,210,000**	**10,210,000**
Commercial complexes	**Market sales comparison**	**3,717,469**	**-**	**3,717,469**
Residential complex	**Market sales comparison**	**134,885**	**-**	**134,885**
Total		**3,852,354**	**10,210,000**	**14,062,354**

	2019			
Class of the investment property	Valuation technique	Level 2	Level 3	Total
Commercial complexes	Income capitalization	-	10,210,000	10,210,000
Commercial complexes	Market sales comparison	3,625,812	-	3,625,812
Residential complex	Market sales comparison	131,559	-	131,559
Total		3,757,371	10,210,000	13,967,371

- There were no transfers between Level 1, Level 2 and Level 3.
- As of December 31, 2020, certain investment properties for a fair value of KD 3,600,000 (2019: KD 7,357,371) was acquired through finance lease agreements, and are registered under the name of a local bank until the settlement of the contractual payments as disclosed in Note (12).
- Investment properties include a property with a fair value of KD 2,560,000 as at December 31, 2020 (2019: KD 2,560,000) managed by a related party (Note 6).
- Certain investment properties are constructed on land leased from Public Authority for Industry in the State of Kuwait, valid for five years, expiring on 2020 and 2021 and are renewable for similar periods, which is in progress.

11. Property, plant and equipment

	Right of utilization of leasehold land	Buildings	Tools, Machinery and equipment	Transportation vehicles	Furniture and decoration	Right of use assets	Total
Cost:							
At January 1, 2019	693,000	667,948	3,486,597	23,480	29,776	-	4,900,801
Impact on adoption of IFRS 16 at January 1, 2019	-	-	-	-	-	19,900	19,900
Additions	-	-	4,898	642	-	4,514	10,054
At December 31, 2019	693,000	667,948	3,491,495	24,122	29,776	24,414	4,930,755
Disposals	-	-	(1,339,749)	-	-	-	(1,339,749)
Related to discontinued operations	(693,000)	(667,948)	(238,403)	(24,122)	(13,197)	(24,414)	(1,661,084)
At December 31, 2020	**-**	**-**	**1,913,343**	**-**	**16,579**	**-**	**1,929,922**
Accumulated depreciation:							
At January 1, 2019	-	229,784	3,102,852	20,384	29,647	-	3,382,667
Charged for the year (*)	-	33,397	16,380	976	126	8,288	59,167
At December 31, 2019	-	263,181	3,119,232	21,360	29,773	8,288	3,441,834
Related to disposals	-	-	(1,095,350)	-	-	-	(1,095,350)
Related to discontinued operations	-	(263,181)	(199,050)	(21,360)	(13,197)	(8,288)	(505,076)
At December 31, 2020	**-**	**-**	**1,824,832**	**-**	**16,576**	**-**	**1,841,408**
Net book value:							
At December 31, 2020	**-**	**-**	**88,511**	**-**	**3**	**-**	**88,514**
At December 31, 2019	693,000	404,767	372,263	2,762	3	16,126	1,488,921

(*) Depreciation charged for the year ended December 31, 2019 relates to discontinued operations.

12. Lease liabilities

	2020	2019
Gross amount of finance lease liability	**1,828,791**	2,449,474
Less: unamortized future finance charges	**-**	(77,271)
Present value of finance lease liability	**1,828,791**	2,372,203
Impact of adoption of IFRS 16 – Leases	**-**	60,387
Total lease liabilities	**1,828,791**	2,432,590

Analyzed as:

	2020	2019
Current portion	**1,828,791**	2,405,522
Non-current portion	**-**	27,068
	1,828,791	2,432,590

The Parent Company renewed a lease agreement which contains a bargain purchase option with a local bank, to finance the purchase of a right of utilization of an industrial plot, located at third Shuwaikh Industrial Area, Block (D), Plot No. (165), for a single rental annual payment due on December 31, 2021 with a bargain purchase option upon settlement of the contractual payments. The finance lease agreement is renewed annually until the full settlement of the finance lease liability, with a bargain purchase option upon the settlement of all contractual payments The leased asset is registered under the name of the lending bank until the settlement of all contractual payments (Note 10).

During the year ended December 31, 2020, the Group's Management settled the final contractual payment of KD 500,102 from a finance lease agreement signed with a foreign financial institution to finance the purchase and acquisition of a plot of land and an the administrative building constructed thereon. The land located in New Cairo City - Block No. 211 - Second Sector, Arab Republic of Egypt. The Group Management is in the process of registering the ownership of the aforementioned land and building in the name of the Group.

13. Accounts payable and other credit balances

	2020	2019
Trade payables (a)	**38,655**	162,587
Advances from customers	**49,336**	53,152
Accrued expenses	**109,275**	159,930
Accrued staff leave	**114,300**	144,241
Dividends payable	**571,487**	542,496
Deposits for others	**59,199**	57,875
KFAS payable	**66**	9,714
NLST payable	**1,896**	27,969
Zakat payable	**758**	11,222
Board of Directors' remuneration payable	**-**	30,000
Others	**223,780**	145,180
	1,168,752	1,344,366

(a) Trade payables are non-interest bearing and are normally settled on average period of 90 days.

14. Provision for end of service indemnity

	2020	2019
Balance at beginning of the year	**487,371**	429,689
Charged for the year (*)	**61,353**	71,730
Transferred to accounts payable and other credit balances	**(13,211)**	-
Paid during the year	**(96,803)**	(14,048)
Related to discontinued operations	**(111,220)**	-
Balance at end of the year	**327,490**	487,371

(*) Indemnity charged for the year ended December 31, 2019, includes an amount of KD 14,773 related to discontinued operations.

15. Share capital

Authorized, issued and paid up capital consists of 163,692,769 shares of 100 fils each, amounting to KD 16,369,277 (2019: 163,692,769 shares of 100 fils each, amounting to KD 16,369,277) and all shares are in cash and in kind (cash amounted to KD 13,096,328 and in kind amounted to KD 3,272,949).

16. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contributions to, Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

17. Voluntary reserve

As required by the Parent Company's Articles of Association, a percentage of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the Shareholders' General Assembly upon recommendation by the Board of Directors. The Board of Directors meeting held on February 23, 2021, did not propose any percentage to be transferred to voluntary reserve. Hence, no transfer was made to the voluntary reserve.

18. Treasury shares

	2020	2019
Number of treasury shares	**10,996**	10,996
Percentage of ownership	**0.007%**	0.007%
Cost (KD)	**671**	671
Market value (KD)	**792**	979

The Parent Company has allotted an amount equal to treasury shares balance from the available retained earnings as of the financial reporting date. Such amount will not be available for distribution during the treasury shares holding period. Treasury shares are not pledged.

19. General and administrative expenses

	2020	2019
Staff costs	**350,293**	372,785
Rent	**6,805**	7,860
Others	**228,830**	218,014
	585,928	598,659

20. Basic earnings per share attributable to Shareholders of the Parent Company

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Parent Company from continuing operations and loss for the year attributable to shareholders of the Parent Company from discontinued operations by the weighted average number of ordinary shares outstanding during the year. There are no potential dilutive ordinary shares. The information necessary to calculate the basic earnings per share based on the weighted average number of outstanding shares during the year is as follows:

	2020	2019
Profit for the year attributable to Shareholders of the Parent Company from continued operations	**204,237**	1,065,007
Loss for the year attributable to Shareholders of the Parent Company from discontinued operations	**(199,617)**	(50,375)
Profit for the year attributable to Shareholders of the Parent Company	**4,620**	1,014,632
Number of shares outstanding:	**Shares**	Shares
Weighted average number of issued shares	**163,692,769**	163,692,769
Less: Weighted average number of treasury shares	**(10,966)**	(2,082,134)
Weighted average number of outstanding shares	**163,681,803**	161,610,635
	Fils	Fils
Basic earnings per share attributable to Shareholders of the Parent Company from continued operations	**1.25**	6.59
Basic loss per share attributable to Shareholders of the Parent Company from discontinued operations	**(1.22)**	(0.31)
Basic earnings per share attributable to Shareholders of the Parent Company	**0.03**	6.28

21. Proposed dividends

The Board of Directors' meeting held on February 23, 2021, recommended not to distribute cash dividends for the year ended December 31, 2020. This recommendation is subject to the approval of the Shareholders' Annual General Assembly.

The Shareholders' Ordinary Annual General Assembly meeting held on June 24, 2020 approved the distribution of 5% cash dividends (5 fils per share), for a total amount of KD 818,409 for the year ended December 31, 2019.

The Shareholders' Ordinary Annual General Assembly meeting held on April 8, 2019 approved the distribution of 5% cash dividends (5 fils per share), for a total amount of KD 779,442 for the year ended December 31, 2018 and 5% dividends in-kind through treasury shares.

22. Board of Directors' remuneration

The Board of Directors' meeting held on February 23, 2021, recommended not to propose any remuneration to Board members for the year ended December 31, 2020. This recommendation is subject to the approval of Parent Company shareholders' Ordinary General Assembly.

The Board of Directors' remuneration for the comparative year amounted to KD 30,000 was approved by Shareholders' Ordinary General assembly held on June 24, 2020.

23. Legal cases

There are certain lawsuits raised by / against the Group, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Group's management, there will be no material adverse impact on the Group consolidated financial statements, and hence, no additional provisions were recorded in the Group's records due to the sufficiency of the currently recorded provisions for those claims as of the reporting date.

24. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash and cash equivalents, term deposits, accounts receivable, financial assets at FVTPL, lease liabilities, due to related party and payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Return rate risk:

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets liabilities carrying floating interest rates. The effective return rates and the periods in which return bearing financial assets and liabilities are reprised or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact on floating rate borrowings:

	2020		
	Increase (Decrease) in interest rate	**Balances on December 31,**	**Effect on consolidated statement of profit or loss**
Term deposits	**± 0.5%**	**1,000,000**	**± 5,000**
Lease liabilities	**± 0.5%**	**1,828,791**	**± 9,144**

	2019		
	Increase (Decrease) in interest rate	Balances on December 31,	Effect on consolidated statement of profit or loss
Term deposits	± 0.5%	1,300,000	± 6,500
Lease liabilities	± 0.5%	2,432,590	± 12,163

Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash and cash equivalents, term deposits, and accounts receivable. The Group's cash at banks and term deposits are placed with high credit rating financial institutions. Receivables are presented net of allowance for expected credit losses. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Cash at banks and term deposits

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Outstanding customer receivables are regularly monitored and any services to major customers are generally covered by letters of credit or other forms of credit insurance obtained from reputable banks and other financial institutions.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, term deposits and receivables.

Foreign currency risk:
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between foreign currencies and Kuwaiti Dinar:

	2020		
	Increase / (Decrease) against Kuwaiti Dinar	**Effect on consolidated statement of profit or loss**	**Effect on consolidated other comprehensive income**
Egyptian Pound	**± 5%**	**± 947**	**± 191,914**
Omani Riyal	**± 5%**	**± 23,299**	**± 104,480**
US Dollar	**± 5%**	**± 64**	**-**
Total		**± 24,310**	**± 296,394**

	2019		
	Increase / (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of profit or loss	Effect on consolidated other comprehensive income
Egyptian Pound	± 5%	± 897	± 165,835
Omani Riyal	± 5%	± 24,925	± 114,357
US Dollar	± 5%	± 61	-
Total		± 25,883	± 280,192

Liquidity risk:
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reverse, maintaining valid and available credit lines with banks, and matching the maturity profiles of financial assets and liabilities.

Maturity table of financial liabilities

	2020		
	3-12 months	**1 – 5 years**	**Total**
Lease liabilities	**1,828,791**	**-**	**1,828,791**
Accounts payable and other credit balances	**1,168,752**	**-**	**1,168,752**
Due to a related party	**655**	**-**	**655**
Total	**2,998,198**	**-**	**2,998,198**

	2019		
	3-12 months	1 – 5 years	Total
Lease liabilities	2,405,522	27,068	2,432,590
Accounts payable and other credit balances	1,344,366	-	1,344,366
Due to related party	655	-	655
Total	3,750,543	27,068	3,777,611

Equity price risk:
Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio and are continuously monitored. The Group is not currently exposed significantly to such risk.

25. Fair value measurement
The Group measures financial assets such as financial assets at FVPL and non–financial assets such as investment properties at fair value 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.
- In the absence of a principal market, in the most advantageous market for the asset or liability

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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.

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

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**1,247**	**465,968**	**427,244**	**894,459**

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,746	456,919	429,224	887,889

During the year, there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognized 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.

The fair value details of investment properties are disclosed in Note 10.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

The fair values of cash, term deposits, trade receivables, trade payables, lease liabilities and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of unquoted instruments, finance lease payable to the banks and other financial liabilities, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

The basis of the valuation of investment properties is fair value. The investment properties are revalued annually based on independent accredited valuer having experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

The level 3 assets unobservable inputs and sensitivity are as follows:

	Range		
Description	**Basis of evaluation**	**Unobservable inputs**	**Sensitivity**
Financial assets at fair value through profit or loss	Discounted cash flow, weighted average cost of capital, adjusted price to book value and adjusted price to earnings	Growth rate of 0.25%, discount rate of 9.67% and discount for lack of control and marketability by 50%.	Any increase or decrease in the unobservable inputs will consequently lead to an increase or decrease in the fair value.
Investment properties	Income capitalization	Rental yield rate of 11% and the net annual operating income of the properties	± 0.75% change in the rental yield rate would increase the fair value by KD 747,073 or decrease the fair value by KD 651,702

26. Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group 's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital. In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt.

27. Impact of COVID-19

The recent spread of the coronavirus (“COVID-19”) across various geographies globally, which was declared a pandemic by the World Health Organization, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications of COVID-19. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 December 2020.

Credit risk management

The management of the Group has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

The uncertainties caused by COVID-19 required the Group to consider the impact of higher volatility in the forward looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2020. For its international operations, the Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate. Accordingly, the Group had recognized an impact of KD 93,922 as additional allowance of Expected Credit Losses. (Note 5-b)

Liquidity risk management

In response to the COVID 19 outbreak, the Group is closely evaluating its liquidity and funding position and taking appropriate actions. The Group will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

Fair value measurement of financial instruments

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group has assessed whether the fair values of the financial assets and liabilities represents the price that would be achieved for transactions between market participants in the current scenario.

Fair value measurement of non-financial instruments (Investment properties and Investment in associate)

As at the reporting date, the Group has identified the impact on the carrying values of its non-financial assets as at 31 December 2020 due to impact of COVID-19 arising from an impact on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2020. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial statements.

Impairment of Goodwill

The Group has performed a reassessment for the recoverable amount of goodwill, considering the impact of COVID-19 by revisiting the assumptions and cash flows projections. As a result of the exercise, management has concluded that no impairment provision is considered necessary in the consolidated statement of profit or loss for the year ended December 31, 2020.

The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position in the future. The Group will continue to monitor the market outlook and update its assumptions, and forecasts as that may have a substantial impact on the consolidated financial statements in the future.

28. Segment information

For management purposes, the Group has the following strategic divisions as reportable operating segments:

Transportation, leasing and maintenance segment: represents goods transport, leasing and charter means of transportation and maintenance of others' vehicles.

Investment segment: represents financial assets at fair value through profit or loss, investment in associate and investment properties.

A. Segment analysis by activities

There are transactions between activities. These segments represent the basis by which the Group presents its main operations, as follows:

	2020			
	Transportation, leasing and maintenance segment	**Vehicles body manufacturing segment ***	**Investment segment ****	**Total**
Total revenues	**251,539**	**640,731**	**850,659**	**1,742,929**
Total costs	**(427,162)**	**(795,602)**	**(517,366)**	**(1,740,130)**
(Loss) profit for the year	**(175,623)**	**(154,871)**	**333,293**	**2,799**

* Related to the disposed subsidiary – Batic Manufacturing Company – W.L.L. which has been presented under discontinued operations in the consolidated statement of profit or loss.

** Includes the loss on sale of subsidiary of KD 44,746 presented under discontinued operations in the consolidated statement of profit or loss.

	Transportation, leasing and maintenance segment	**Vehicles body manufacturing segment**	**Investment segment**	**Eliminations**	**Total**
Segment total assets	**2,957,417**	**-**	**29,088,904**	**(8,771,190)**	**23,275,131**
Segment total liabilities	**(324,173)**	**-**	**(5,933,749)**	**2,932,234**	**(3,325,688)**

	2019			
	Transportation, leasing and maintenance segment	Vehicles body manufacturing segment	Investment segment	Total
Total revenues	512,886	946,596	2,174,991	3,634,473
Total costs	(537,125)	(996,971)	(1,082,544)	(2,616,640)
(Loss) profit for the year	(24,239)	(50,375)	1,092,447	1,017,833

	Transportation, leasing and maintenance segment	Vehicles body manufacturing segment	Investment segment	Eliminations	Total
Segment total assets	3,214,893	2,213,872	30,063,046	(10,505,481)	24,986,330
Segment total liabilities	(358,397)	(514,254)	(6,577,897)	3,185,566	(4,264,982)

B. Geographical segments

The group has allocated its assets among the following reportable geographic segments:

	2020				
	State of Kuwait and GCC countries	**Africa**	**Total Segments**	**Adjustments and Eliminations**	**Total**
Total revenues	**1,395,265**	**613,144**	**2,008,409**	**(265,480)**	**1,742,929**
Segment total assets	**28,018,961**	**4,027,360**	**32,046,321**	**(8,771,190)**	**23,275,131**
Segment total liabilities	**(5,044,592)**	**(1,213,330)**	**(6,257,922)**	**2,932,234**	**(3,325,688)**

	2019				
	State of Kuwait and GCC countries	Africa	Total Segments	Adjustments and Eliminations	Total
Total revenues	3,819,609	664,642	4,484,251	(849,778)	3,634,473
Segment total assets	31,548,418	3,943,393	35,491,811	(10,505,481)	24,986,330
Segment total liabilities	(5,810,229)	(1,640,319)	(7,450,548)	3,185,566	(4,264,982)