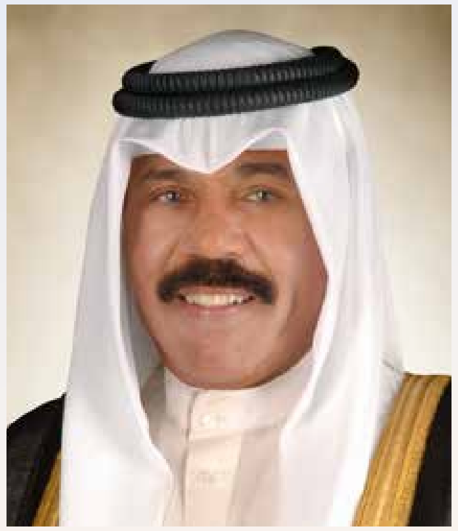
بسم الله الرحمن الرحيم

LED BY FAITH AND LOYALTY,
WITH ITS AMIR, EQUALLY

H.H.Sheikh
Meshal Al-Ahmad Al-Jaber Al-Sabah
Crown Prince of the State of Kuwait



H.H.Sheikh
Nawwaf Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

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Al-Safat Investment Company Profile

Al-Safat Investment Co. was founded on September15,1983asaKuwaitishareholding company, working in accordance with provisions and requirements of the Islamic Shari'a, with a total capital of 25,693,940 Kuwaiti Dinars. The company was founded to be one of the leading companies in the field of wealth management and investment with a strategy that depends on diversification of income sources through acquiring the best investment opportunities available in various fields.

The company is working under the control and supervision of Kuwaiti regulating entities such as the Kuwait Capital Market Authority, Central Bank of Kuwait and Kuwait Ministry of Commerce and Industry. The company is taking into account the commands, laws and instructions that are issued from these authorities by being compliant to all regulations.

The main goal of Al-Safat Investment Comapny is to obtain successful and fruitful investments utilizing its expertise & professional vision towards selecting active investment opportunities and products which satisfy a wide segment of investors.

Summary of Company Activities:

1- Invest in real estate, financial, healthcare, industrial, energy, agricultural, food and other economic sectors through participating in the establishment of specialized companies or purchase of stocks and bonds in these companies, or manage projects in various sectors.

2- Manage funds of private and public institutions funds and investing such funds in the various economic sectors.

3- Conduct and provide technical, economic and evaluation consultancy, study investment projects and prepare the necessary studies through a professional integrated team.

4- Act as an intermediary in lending and borrowing transactions and extend loans to others in accordance with the generally recognized conventions and rules and regulations laid down by the Central Bank of Kuwait.

5- Perform the functions of lead manager of bonds issued by companies and institutions as well as the functions of investment trustee.

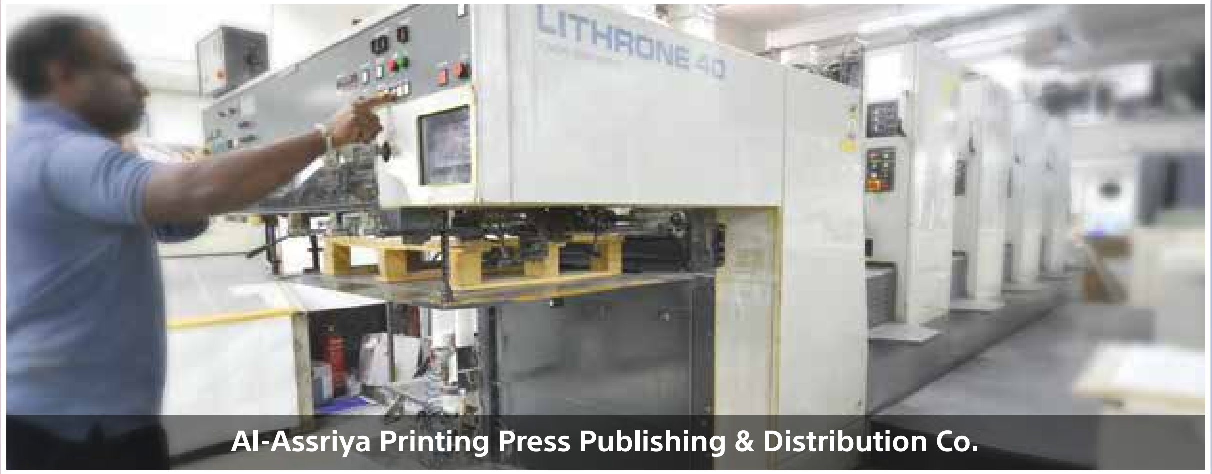
6- Carry out stock trading including sale and purchase of shares and bonds of local and international governmental institutions.

7- Provide all services that assist in development and reinforcement of the market's financial and monetary capabilities in Kuwait and satisfying its needs.

8- Form and manage all kinds of investment funds in accordance with the applicable law.

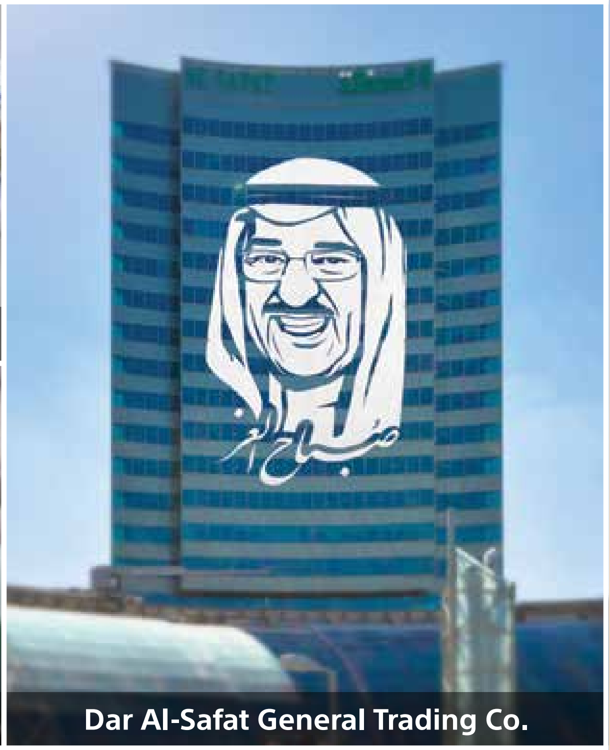
9- Manage and oversee the activities of Collective Investment Scheme acting as an "Investment Controller".

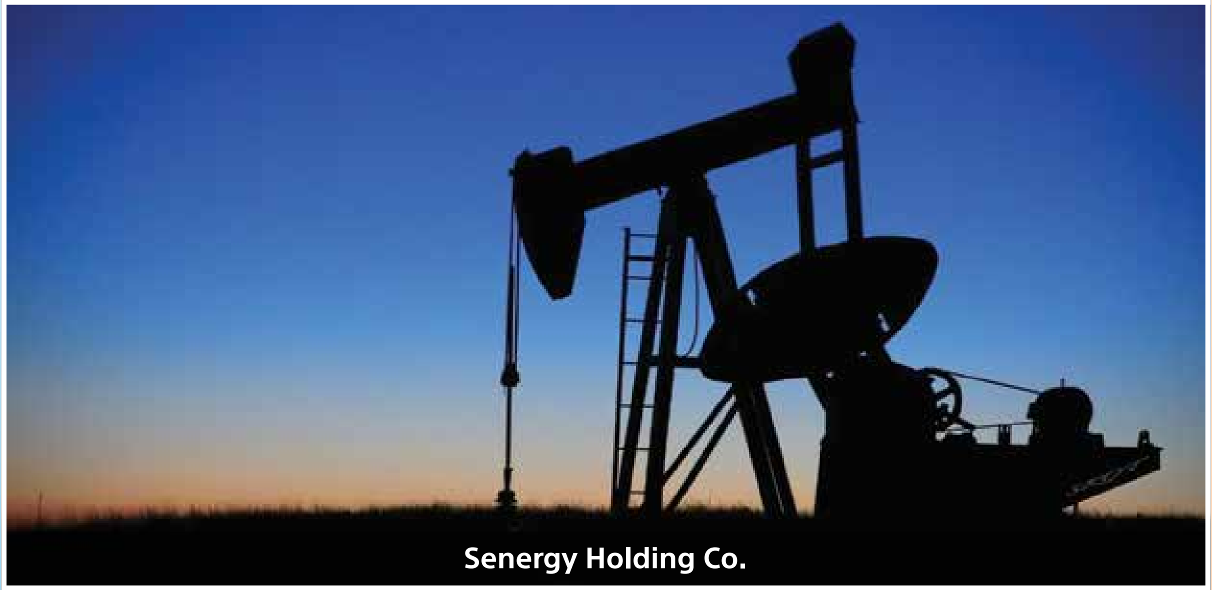
Subsidiaries, Assosiates & Key Investments of Al-Safat Investment Company


Al-Assriya Printing Press Publishing & Distribution Co.


Carpets Industry Co.


Middle East Chemical Manufacturing Co.


Dar Al-Safat General Trading Co.


Senergy Holding Co.

Subsidiaries of Al-Safat Investment Company:

Name of the Subsidiary	Ownership Percentage 2020
Al Safat Holding Company (Closed) KSCC	99%
Al Safat Consultant Company K.S.C. (Closed)	96%
Dar Al-Safat for General Trading Company W.L.L	99%
The Roots Brokerage - Egypt	60%
Nakhlat Al-Safat Real-Estate company	100%

Associates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage 2020
Asia Holding Company	21.7%
Senergy Holding Company K.S.C.P.	20.9%

Key Investments of Al-Safat Investment Company:

Name of the Company
Al-Qudra Holding Company - United Arab Emirates
Al Shuaiba Industrial Company K.P.S.C.
Kuwait Medical Center Holding Company K.S.C.
The Liquid Capital Co. for General Trading
Al-Assriya Printing Press

Board of Directors

Abdullah Hamad AlTerkait
Chairman

Fahad Abdul Rahman Al Mukhaizim
Vice Chairman

Abdul Muhsen Suliman Al Meshan
Board Member

Dr. Anwar Ali Al Naqi
Board Member

Mishaal Ahmed Al Jareki
Board Member

Abdul Razzaq Zaid Al Dhubayan
Board Member

Naser Bader Al Sharhan
Board Member

Board of Directors 2020 Overview

Dear Shareholders,

On behalf of the members of the Board of Directors, I would like to welcome you to the Annual General meeting to present to you the annual report of Al Safat Investment Company for the fiscal year ended December 31, 2020. This includes all reports related to the company's business such as the consolidated annual financial statements, the corporate governance report, the Audit Committee and reporting related-party transactions.

I am grateful to be able to have this meeting with you today after the long suspension of meetings due to the Covid-19 outbreak. This meeting indicates that we have made it through the pandemic and are gradually getting back to normal. However, we should continue to take all necessary health precautions while following the instructions of the Ministry of Health in this regard.

Al Safat Investment Company supports the steps the Kuwaiti Government has taken to ensure that all citizens and residents alike are safe. We are confident that the safety precautions undertaken by the government, will reduce the impact of this crisis on the economic activities in the country.

We are pleased to present our key achievements of the past year, despite the subsequent obstacles and challenges we faced. We will also share with you the plans and initiatives that have been taken, with a view to improving the company's business and increasing its profits, hoping that our endeavors have successfully met your expectations.

Overview on 2020

2020 had witnessed unprecedented conditions that took a heavy toll on the entire world by fiercely hitting the health, development, humanitarian, and economic sectors, that have undergone unparalleled fluctuations and repercussions. The pandemic having impacted SMEs along with various other businesses and companies, has fortunately had good news for Al Safat Investment Company which resulted in great achievements, some of which are:

- The final court ruling in the dispute with Qatar National Bank resulted in our favor, which has reflected positively on the legal and financial position of the company by settling the investments that caused the dispute, along with the settlement of all debts and obligations.
- Al Safat Investment Company succeeded in obtaining the approval of the shareholders to relist the company on Boursa Kuwait and to take all necessary measures in this regard.
- The company completed the acquisition deal presented by Al Khair Global for Buying and Selling Shares, on all remaining shares in Arkan Al Kuwait Real Estate Company as a lead manager of the acquisition. The deal was completed during the period of partial and total lockdown in the State of Kuwait, which shows our dedication and detrmination for business continuity.
- Al Safat Group has acquired majority shares in Liquid Capital for General Trading through one of the subsidiaries, bringing positive effects in the foreseeable future for the group, through diversifying investments and sources of income.

I am also pleased to underline the rapid and effective steps taken by Al Safat Investment Company since the breakout of the pandemic to curb the spread of the virus throughout the entire Al Safat Tower. The concerned team in the company, has been accessible since the first day of the pandemic and worked tirelessly on tracking the latest news and information, while applying the approved procedures used all over the world to combat the spread of the virus:

- Publishing instructional signs throughout the complex to raise awareness of the COVID-19 precautions.
- Applying strict protocols of reporting and self-quarantine for suspected cases of COVID-19.
- Mandating face mask, hand sanitizing, and social distancing in elevators and waiting areas.
- Daily temperature checks for everyone before entering the complex.

Abdullah Hamad AlTerkait - Chairman

- Distributing free sanitization kit to all staff and providing them with masks on a regular basis.

Our great efforts gained traction and earned well-deserved recognition from the International Finance Magazine, that awarded Al Safat Investment Company 'Best Health and Safety Workplace Environment' during the pandemic.

Overview on Financial Statement for 2020

I take this opportunity to thank the executive management and the employees of Al Safat Group for their efforts to overcome this crisis. Although 2020 has been a difficult year for most businesses, Al Safat group faired well financially. The year 2020 had a great impact on the company's financial performance, as it was full of positive events that revived Al Safat Investment Company and restored it to its glory days. The Court of Cassation ruling in the case between the company and Qatar National Bank ruled in favor of the company, which proved to be profitable for the company and allowed for the settling of debts and obligations with local and foreign banks.

The company reported profits of KD 7,227,530 for the fiscal year ended December 31, 2020, equivalent to 28.22 fils per share compared to KD 866,511 over the same period of 2019 equivalent to 3.38 fils per share, an increase of 24.84 fils.

Shareholders' equity of the parent company for the fiscal year ended December 31, 2020 stood at KD 22,389,234 as the book value of the parent company amounted to 87.4 fils per share, compared to KD20,621,049 over the same period of 2019, equivalent to 80.51 fils.

Total liabilities of the group for the fiscal year ended December 31, 2020 stood at KD 11,943,421 compared to KD28,636,257 over the same period in 2019, a decrease of KD 16,692,836.

Outlook

The management of Al Safat Investment Company is optimistic about the future. After overcoming all the legal challenges that have burdened the company for many years, the achievements made during 2020 can create new opportunities and directions towards diversifying the investments of the company's portfolio, while focusing on financing and supporting small and medium enterprises, especially at this critical stage of this segment.

The company has been implementing the strategy that has been approved by the board for the years 2019-2023. In order to achieve the company's goals, mission and vision, adjustments to the expected budget for the departments have been made, despite the ongoing challenges from the pandemic.

The company also focuses on exerting extra efforts on building an integrated team of highly skilled and competent Kuwaitis who enjoy a modern and sophisticated outlook. This contributes to boosting growth while applying the strategy and achieving the four-year action plan prepared by the company and represented by the Board of Directors and the executive management, which aims to raise the level of profitability from operational businesses as well as raise the quality of revenues. This will have a major impact on profits and on the financial position of the company, and therefore on the shareholders of the parent company.

Al Ahmadi Project

Despite the difficult conditions that everyone went through during 2020 as a result of the outbreak of the pandemic, the company and its group continued at the same pace of determination and hard work in order to complete the construction of the Ahmadi project, which represents a property in the East Ahmadi Industrial Area, block No. (20) Plot (57) with an area of 5,000 square meters, subject to the rules of building industrial plots. By the grace of Allah, 90% of the construction work has been completed, considering that the project will be delivered during the current year 2021, in line with the plan and the timeline.

Corporate Governance

Governance is a set of laws, regulations and decisions that aim to ensure quality and excellence in performance by implementing appropriate and effective methods to achieve the plans and objectives of the company or institution. Governance means the application of the articles of association of the company while ensuring compliance with the laws that regulate the relationships between the main parties that affect performance. It also includes the long-term strengths of the institution and identifying roles and responsibilities.

Al Safat Investment Company is keen to develop a culture of governance and compliance at the level of all group entities, while establishing sound and effective corporate values. Governance standards are one of the main pillars of the group's strategy, especially those standards approved by the relevant regulatory authorities and other relevant rules and instructions.

We realize the importance of applying the principles and standards of sound governance and the consequent follow-up to professional and ethical standards in all operations, not to mention the transparency and disclosure of material information in a timely manner, which contributes to improving the efficiency of the company and its subsidiaries. This also enhances the confidence of shareholders and all related parties and stakeholders in the group's performance on the one hand, and the investment sector in Kuwait on the other. Our general governance framework, which is subject to periodic review by the Group's Board of Directors, reflects a consistent approach across all Group entities.

Social Responsibility

Al Safat Investment Company pays great attention to the community through its corporate social responsibility (CSR) program, encompassing development programs and initiatives that contribute to boosting the sustainable development of society. The first CSR initiative was the launch of a plan to fill vacancies with national labor at the company and its subsidiaries. It is worth noting that the pandemic that engulfed the world, has been an opportunity for Al Safat Investment Company to utilize all its resources, represented by its employees and its subsidiaries, to help the efforts of the government of Kuwait in coping with the crisis.

The company took the initiative to register on the government platform "Musahamat" and offered the products of the Middle East Chemical Manufacturing Company to any government body that declares its need for hand sanitizers, cleaning soap and any material necessary for cleaning and disinfecting. The Ministries of Health, Electricity and Water, Finance and the Ministry of Interior requested to have such products, and the company responded duly by donating thousands of liters of hand sanitizers and other cleaning products.

Our Carpet Industry Company also donated 340 carpets to the Public Authority for Housing Welfare for providing evacuation and quarantine places, not to mention harnessing the design and printing services of our Modern Printing Company to meet the needs of the Ministry of Interior for publications, promotional brochures and instructional signs.

As part of its efforts to spread community awareness, the company produced an instructional video about the back-to-work protocols after the lockdown. The video included all internationally approved health procedures and guidelines that employees must abide by at work. This video was circulated and published on various social media platforms for the benefit of everyone.

Appreciation

Finally, we would like to raise our highest appreciation and wishes to H.H Amir of the State of Kuwait Sheikh Nawaf Al Ahmed Al Jaber Al Sabah and H.H Crown Prince Sheikh Mishaal Al Ahmed Al Jaber Al Sabah for their continuous support.

We would also like to express our sincere thanks and appreciation to our shareholders for their trust and our sincere gratitude to the employees of Al Safat Investment and its subsidiaries, who did not hesitate to do their work under all circumstances during the year 2020.

In conclusion, on behalf of our shareholders we would like to show our appreciation to the management for the results that the Group has achieved during the last year.

Abdullah Hamad Al-Terkait
Chairman - Al Safat Investment Company

Corporate Governance Report of Al Safat Investment Co. for the Year Ended 31 December 2020

Overview of Governance Principles

Al Safat Investment Co. strongly believes that an efficient corporate governance framework is a major factor in the success of its business, given its importance for boosting trust in it and providing opportunities to enact comprehensive and sustainable changes in line with the values of the company. That is one primary goal of the company and its management is to set a robust and practical governance framework that takes into account the rights of stakeholders, investors and related requirements as defined by the regulatory authorities. It should also recognize the environmental, social, health and economic targets which we strive to achieve under the world-wide corona pandemic and its repercussions which call for efforts to confront it and contain its present and future risks. Al Safat Investment Co. relies on our effective risk management capabilities in continuing to realize the main governance targets, take advantage of new opportunities and meet the increasing demands so that we can continue our compliance with the requirements of the regulatory authorities in the State of Kuwait.

Al Safat Investment Co. believes that its long-term success depends on good governance in addition to effective, and leading management that would strengthen the rules of this governance.

Rule One

Building a Balanced Structure of the Board of Directors

With the fast developments in the business environment, diversifying the structure of the Board of Directors is the major success factor in today's world. That is why Al Safat Investment Co. Board of Directors is comprised of experienced and skilled individuals. This makes for a balanced and positive Board structure in the best possible manner while taking into consideration the renewed business requirements.

The role of Al Safat Investment Co. Board of Director represents the balance point in achieving the company's strategic goals and therefore those of the shareholders. The Board has taken upon itself the responsibility of complying with the good governance standards through activating and implementing the governance rules by following the best practices and a package of policies, procedures and mechanisms and by defining the responsibilities and duties of the Board of Directors and the Executive Management. All this while taking into consideration the rights of shareholders, stakeholders, clients, administration, staff, and society.

Al Safat Investment Co. Board of Directors comprises seven members elected by the company general meeting for a 3-year term. The Board is formulated in a balanced way to be compatible with the company's size and activities. The majority of the members are non-executive (5 members) with two independent members, all of whom possess diverse experiences and specialized skills which contribute to strengthening efficiencies in decision making.

The members of board of directors have academic qualifications, experiences and required skills that are needed for the company's activities according to the following schedule:

Director	Capacity	Qualifications and experience	Date of election/ appointing secretary
Abdullah Hamad Al-Terkait	Chairman/ Non-Executive	- MBA qualification from United Kingdom - Bachelor's degree in public Administration and Political Science. - 15 year-experience	5 May 2019
Fahad Abdul Rahman Al Mukhaizim	Vice Chairman/ Non-Executive	- Master of Business Administration. -Bachelor's degree in finance. - 25 year- experience.	5 May 2019
Abdul Muhsen Sulaiman Al Meshan	Member/ Non-Executive	- Bachelor's degree in international Finance and Marketing. - 41 year-experience.	5 May 2019
Nasser Bader Al Sharhan	Member/ Non-Executive	-Bachelor's degree in political science and Marketing. - 23 year-experience	5 May 2019
Mishal Ahmad Al Jareki	Member/ Independent	- Master of Business Administration with specialization in General and Strategic Management. - Bachelor's degree in accounting. - 15.5 year- experience.	5 May 2019
Dr. Anwar Ali Al Naqi	Member/ Independent	- Ph.D., Master and Bachelor's degree in civil engineering. - Bachelor's degree in architecture. - 43 year- experience.	5 May 2019
Abdul Razzaq Zaid Al Dhubayan	Member/ Non-Executive	- Bachelor's degree in civil engineering. - 16.5 year-experience	5 May 2019
Khawla Mohammad Awad Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. - 23- year experience	23 Feb 2014

Members of the Board of Directors dedicate sufficient time to review all tasks & responsibilities assigned to them; they meet at the invitation of the chairman.

Summary of the Board's Meetings:

The Board of Directors held six meetings in 2020 as shown below:

Director	Meeting (1) 24/02/2020	Meeting (2) 30/06/2020	Meeting (3) 04/08/2020	Meeting (4) 30/08/2020	Meeting (5) 11/11/2020	Meeting (6) 30/12/2020
Abdullah Hamad Al-Terkait	√	√	√	√	√	√
Fahad Abdul Rahman Al Mukhaizim	√	√	√	√	√	√
Abdul Muhsen Sulaiman Al Meshan	√	√	√	√	√	√
Nasser Bader Al Sharhan	√	√	√	√	√	√
Mishal Ahmad Al Jareki	√	√	√	√	√	√
Dr. Anwar Ali Al Naqi	√	√	√	√	√	√
Abdul Razzaq Zaid Al Dhubayan	√	√	√	√	√	√

Four (4) resolutions were signed in 2020 by passing.

The manner of applying the requirements of registration, coordination and keeping minutes of Board meetings

The Board Secretary manages and coordinates various Board activities in accordance with governance rules. The Board Secretary is appointed or dismissed by a decision of the Board. Under supervision by Chairman of the Board, the Secretary checks the adherence to the procedures approved by the Board relating to exchange of information between Board members, associated Committees and the Executive Management, as well as setting Board meetings schedules, sending invitations at least 3 working days prior to the meetings, excluding emergency meetings. The Secretary is tasked with transcribing the minutes of Board meetings as well as attendance of members, and ensuring that information is delivered and distributed properly, and coordinating between Board members and stakeholders including shareholders, various company departments and concerned employees.

Rule Two

Properly defining tasks and responsibilities

Brief note on how the company sets the policy, tasks, responsibilities and duties of each member of the Board and the Executive Management, as well as the powers and terms of reference delegated to the Executive Management:

Al Safat Investment Co. Board of Directors is responsible for supervising the overall performance and defining the company strategic orientation, setting its goals, approving the overall strategy and reviewing it periodically, as well as setting the organizational and administrative structure and the supervisory regulations of the company. In addition, the Board monitors the performance of the Executive Management and its implementation of the approved strategy. It also monitors any conflict of interest and deters the misuse of influence by concerned parties. The Board also shoulders the responsibility of approving consolidated and fair financial statements which reflect the true financial position of the company in accordance with the IFRS, as well as the responsibility for defining the internal supervision framework as the Board deems necessary in order to prepare the consolidated financial statements without substantial errors.

Al Safat Investment Co. has defined in detail the tasks, responsibilities and duties of each of the members of the Board and the Executive Management, as well as the powers and terms of reference mandated to the Executive Management through the policies and regulations approved by the Board.

Following are the main tasks and responsibilities of the Board:

1- Approval of the principal goals, strategies, plans, and policies of the company.
2- Approval of the annual interim budgets and the quarterly and annual financial statements.
3- Supervising the company's main capital spending and its ownership of assets and investments.
4- Ensuring the company departments adherence to policies and procedures.
5- Ensuring the accuracy and correctness of the data required for disclosure.
6- Establishing effective communication channels to provide shareholders with access to periodic and continuous information about the activities of the company and any relevant major developments.
7- Structuring the corporate governance system, supervising it and following it up in general.
8- Monitoring the performance of the Board, committees, and Executive Management by using main performance indicators.
9- Preparing the annual report to be presented to the General Assembly and formation of specialized committees in accordance with regulatory authorities' requirements and defining responsibilities, rights and obligations.
10- Defining powers of the Executive Management and the decision-making process.
11- Following up the performance of the Executive Management members and ensuring their completion of all tasks assigned to them.
12- Defining the policy of regulating the relationship with stakeholders in order to protect their rights.
13- Preparing a mechanism for regulating the transactions with the related parties in order to avoid conflict of interest.
14- Approval of the main risk indicators and their measurements and being prepared to take risks at the company in order to deal with them.

Achievements of the Board in 2020:

In line with the Boards` responsibilities in achieving the best financial and operational results and the completion of the company strategic plan in the best manner, the Board made in 2020 several achievements, such as:

1- Recommendation to shareholder to enlist Al Safat Investment Co. shares in Boursa Kuwait and take all necessary measures with the regulatory bodies in adherence to the Board plan and strategy and the future vision on development and growth of the company business after the ruling of the Court of Cessation in Al Safat Investment Co. favor in the wakala investment contract case against the National Bank of Qatar.

2- Activating emergency policies and procedures and following up business continuity in order to limit the effects of the coronavirus.

3- Approval of the company report on the measures enacted to limit the repercussions of the coronavirus and sending it to the Capital Markets Authority.

4- Approval of the disclosure form about the effect of the events resulting from coronavirus on the financial statements for the first and second quarters 2020.

5- Approval of the audited and consolidated annual financial statements for the year ended 2019.

6- Approval of the internal policies and procedures relating to the management of the company (Direct Investment Management, Operations Management, Legal Management, Human Resources Management, Information Technology Management, Conformity and Compliance Management, Financial Management).

7- Approval of updated overall terms of reference list and updating some internal policies and procedures in accordance with CMA requisites.

8- Approval of the recommendation of the remunerations and nominations committee to pay remunerations to committee members, the CEO and company employees.

9- Approval by the Board of the Risk Appetite as well as approval of the internal policy relating to investment portfolios management.

10- Approval of the re-appointment of the company's external auditor Mr. Badr Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young).

11- Approval of the agenda of the ordinary General Assembly for 2019.

12- Approval of the anti-laundering and anti-terrorism report prepared by the conformity and compliance department For 2019.

13- Approval of the disclosure standard policy in compliance with the regulatory requirements of the Finance Ministry and the CMA.

14- Approval of the draft interim consolidated (unaudited)financial statements for the first and second quarters of 2020 in compliance with decision (30) for the year 2020 made by the CMA.

15- Appointing a company employee to follow up and implement company policies regarding social responsibility and investors affairs.

Corporate Governance Report of Al Safat Investment Co.
for the Year Ended 31 December 2020

16- Approval of the draft interim consolidated(unaudited) financial statements for the third quarter 2020.

17- Assessment of Board members performance for 2020 and reviewing the assessment of members of committees emanating from the Board (Audit Committee, Risks Committee, Remunerations, and Nominations Committee) in addition to assessing the CEO performance in 2020.

18- Provision of a training course entitled combating money laundering and terrorism.

Brief on implementation of requirements for the Board formation of specialized independent committees, taking into account the mention of the following information about each committee:

In the process of the Board carrying out its tasks and duties, the Board has formed sub-committees and approved their charters which define their responsibilities and terms of reference with the aim of strengthening supervision of company operations. Members of the committees possess technical and practical experiences and skills that would help them carry out the tasks assigned to them as best as possible.

1. Audit Committee

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Fahad Abdul Rahman Al Mukhaizim- Audit Committee Chairman

Mr. Anwar Ali Al Naqi- Vice Chairman

Mr. Naser Bader Al Sharhan – Member

The number of meetings held during 2020: Six meetings.

Responsibilities and achievements of the committee in 2020

- Reviewed the draft annual audited and consolidated annual financial statements for the fiscal year 2019 and submitted a recommendation to the Board of Directors for approval and for taking the necessary measures to request holding an ordinary General Assembly meeting.
- Approved the reclassification of some balance sheet items as of December 31, 2019 upon the request of the external auditor Ernst & Young.
- Reviewed the internal Sharia audit reports for the fourth quarter of 2019 and the first, second and third quarters of 2020 to ensure that the Sharia Audit Unit reviewed the compliance of the company's activities and operations with Sharia provisions.
- Evaluated the performance of the Head of the Internal Audit Department of the company in addition to the consulting body that the company has contracted with.
- Evaluated the performance of the company's external auditor for the year 2019, Ernst & Young Al Aiban, Al Osaimi & Partners.
- Reviewed the draft condensed consolidated interim financial statements (unaudited) for the first and second quarters of 2020 and submitted a recommendation to the Board of Directors for approval and shared it with the Capital Markets Authority in compliance with Resolution No. 30 of 2020.

- Reviewed the disclosure templates on the impact of COVID 19 on the financial statements for the first and second quarters of 2020 and submitted a recommendation to the Board of Directors for approval.
- Reviewed the assessment report of the company's internal control systems for the year 2019 and mandated the Head of Internal Audit to follow up and address the observations in the report with the relevant departments.
- Reviewed the draft condensed consolidated interim financial statements (unaudited) for the third quarter of 2020 and submitted a recommendation to the Board of Directors for approval.
- Reviewed the internal audit reports that were carried out on all company departments and mandated the Internal Audit Head to follow up and address the observations along with the company's managers.
- Carried out annual appraisal of Committee members for 2020.

2. Risk Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Anwar Ali Al Naqi- Risk Committee Chairman

Mr. Abdul Muhsen Sulaiman Al Meshan- Vice Chairman

Mr. Abdulrazzaq Zaid Al Dhubayan – Member

The number of meetings held during 2020: Five meetings

Responsibilities and achievements of the committee in 2020:

- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period June- December 2019 and recommended that the report be presented to the Board of Directors and mandated the Risk Management Representative to follow up and address the observations in coordination with the relevant departments of the company and the top management.
- Reviewed the emergency plan report, followed up on business continuity and the measures taken by the company to limit the impact of COVID-19 on the company's activities, and recommended that the report be presented to the Board of Directors.
- Approved the semi-annual risk report submitted to the Capital Markets Authority (CMA) for the period January- June 2020 and recommended that the report be presented to the Board of Directors and mandated the Risk Management Representative to follow up and address the observations.
- Determined the draft Risk Appetite and submitted a recommendation to the Board of Directors for approval.
- Filled out the appraisal forms of the committee and its members during 2020 and submitted the results to the Board of Directors for approval.

Corporate Governance Report of Al Safat Investment Co.
for the Year Ended 31 December 2020

3. Remuneration and Nomination Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the term and mandate of the current Board of Directors

Members of the committee:

Mr. Abdullah Hamad Al-Terkait- Remuneration And Nomination Committee Chairman

Mr. Mishaal Ahmed Al Jareki- Vice Chairman

Mr. Naser Bader Al Sharhan – Member

The number of meetings held during 2020: two meetings

Responsibilities and achievements of the committee during 2020

- Approved the annual allowances of the committees emanating from the Board of Directors and approved the allowances of members of the committees.
- Approved the recommendation to the Board of Directors to pay the CEO's remuneration for the year 2019 according to the annual appraisal set by the Board of Directors.
- Approved paying bonuses to the company's employees for the year 2019 according to the annual appraisal scheme set by the Directors of Departments and the recommendation of the Board of Directors for approval.
- Prepared and sent the annual appraisal forms for the year 2020 to the Board of Directors and its committees, in addition to submitting the appraisal form of the CEO for 2020 to the Board of Directors.
- Appraisal of the members of the Nomination and Remuneration Committee for 2020 and submitted it to the Board of Directors for approval.

4. Provisions Committee:

Formation of the committee: 6 May 2019

Term of the committee: dependent on the decision of the current Board of Directors

Members of the committee:

Mr. Abdul Razzaq Zaid Al Dhubayan – Provision Committee Chairman

Mr. Hasan Mahmoud Qaqish -Member and Reporter of committee

Mr. Herarld Leo Fernandes -Member

The number of meetings held during 2020: three meetings

Responsibilities and achievements of the committee in 2020:

- Writing-off provisions of final settlement of the investment management fees of XCC
- Affirmed and approved new provisions against rent receivable account
- Affirmed and approved new provisions against the account of receivable management fees
- Affirmed and approved additional provision against lease account
- Writing-off old account payable and credit balances

5. Executive Committee:

Formation of the committee: 25 September 2016

Term of the committee: dependent on the decision of the Board of Directors

Members of the committee:

Mr. Fahad Abdul Rahman Al Mukhaizim- Executive Committee Chairman

Mr. Abdullah Hamad Al-Terkait- Vice Chairman

Mr. Naser Bader Al Sharhan – Member

Mr. Mishaal Ahmed Al Jareki- Member

The number of meetings held during 2020: none

Responsibilities and achievements of the committee in 2020: none

6. Credit Committee:

Formation of the committee: 13 November 2019

Term of the committee: dependent on the decision of the Board of Directors

Members of the committee:

Mr. Abdullah Hamad Al-Terkait- Credit Committee Chairman

Mr. Ahmed Fathy Abouzeid- Vice Chairman

Mr. Yousef Moukhtar Al Sarraf- Member

The number of meetings held during 2020: Two meetings

Responsibilities and achievements of the committee in 2020:

- Approved to grant financing to the company's customers in accordance with the credit policy approved by the Board of Directors.
- Agreed to postpone the payment of monthly installments to finance customers for a period of six months, taking into account the difficult conditions that the various sectors witnessed in Kuwait as a result of the outbreak of Covid-19.

Brief on how to implement the requirements that allow Board members to obtain information and data accurately and in timely manner:

The company has an effective mechanism that allows members of Board of Directors in general and non-executive and independent Board members in particular to obtain all the basic data and information that enable them to carry out and implement their duties through coordination with the Secretary of the Board of Directors, and in accordance with relevant laws and legislations.

Corporate Governance Report of Al Safat Investment Co.
for the Year Ended 31 December 2020

Rule Three

Selecting qualified persons for Board membership and Executive Management

Brief on implementation of requirements for formation of nomination and remuneration committee:

The nomination and remuneration committee assists the Board of Directors in performing supervisory responsibilities, including: effectiveness, integrity and adherence to the Company's nomination and remuneration policies and procedures, reviewing and approving selection criteria and appointment procedures for members of the Board of Directors and top management, and ensuring that the policy and methodology of nominations and remuneration as a whole is in line with the strategic objectives of the company.

The nomination mechanism in place within the company ensures the continuity of selecting and attracting competencies either to run for membership of the Board of Directors or of the Executive Management. Board of Directors has formed a nomination and remuneration committee in accordance with the governance rules, with the committee having to include an independent member. The committee's work charter approved by Board includes the following:

- Recommendation to accept the nomination and re-nomination of members of the Board and the Executive Management.
- Setting a clear policy for the remuneration of the members of Board of Directors and the Executive Management.
- Determine the required skill requirements appropriate to the membership of Board and review these requirements annually.
- Attract applications for those wishing to occupy executive positions as needed, and study and review these requests.
- Define the different tiers of rewards that will be awarded to employees.
- Prepare job description for the Executive Board members, non-executive members, and independent members.
- Propose the nomination and re-nomination of members for elections by the General Assembly and ensuring that the independence status of independent members is not eliminated.
- Defining the mechanisms of evaluating the performance of the Board and the performance of each member and the Executive Management.
- Define the indicators for measuring the performance of the Board and review these indicators annually.
- Review and suggest training programs and workshops for members of the Board of Directors.
- Reviewing the payroll and job grades periodically.
- Prepare a detailed annual report on all bonuses granted to members of Board of Directors and the Executive Management, whether they are amounts, benefits, or advantages, whatever their nature and name, provided that this report is presented to the company's General Assembly for approval.

The report of remunerations granted to members of Board of Directors and Executive Management:

A separate report on the bonuses and benefits granted to members of Board of Directors and the Executive Management of Al-Safat Investment Co. and its subsidiaries was prepared during the year 2020.

Rule Four

Ensuring the integrity of financial reports

Board of Directors and the Executive Management pledge in writing the integrity of the prepared financial reports.

The company's annual report includes written pledges to both the Board and Executive Management of the integrity of the prepared financial reports.

Brief on implementation of the requirements for the formation of the Audit Committee:

The primary role of the Audit Committee is to supervise all audit matters and ensure the integrity of financial reports and internal control systems. The Audit Committee performs the following tasks, for example and not limited to:

- Review all periodic and annual financial statements prior to submitting and recommending them to the Board of Directors.
- Recommend to Board of Directors appointing external auditors.
- Study and review the notes on the financial statements and request the Executive Management to work to amend them, if necessary.
- Recommend to Board of Directors appointing the director of internal audit, reviewing, and approving the internal audit plans.
- Review the results of the internal reports and ensure that all necessary corrective actions are taken.
- Review the results of the inspection of the regulatory authorities on the company and taking the necessary measures to rectify the observations.
- Review matters related to the nomination of the external auditor and recommend that to the Board of Directors.
- Recommend assigning an independent audit office to evaluate, review internal control systems and prepare a report in this regard (Internal Control Report).

During 2020, there was no inconsistency between the recommendations of the Audit Committee and the decisions of the Board of Directors.

Independence & Impartiality of the External Auditor

Following the recommendation of the Board of Directors, the General Assembly approved appointing the statutory auditor. The nomination of the external auditor should be based on the Audit Committee recommendation submitted to the Board of Directors. The auditor should be listed in the CMA's external auditors register, i.e., fulfilling all the required provisions stated in the CMA's resolution concerning the mechanism of listing external auditors.

On 23 April 2020, the Ordinary General Assembly approved the re-appointment of the company's external auditor, Mr. Badr Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young) for the year 2020.

The external auditor carries out an independent annual audit and a quarterly review with the aim of confirming that the financial statements are prepared in accordance with IFRS approved by the regulatory authorities in the State of Kuwait.

Rule Five

Establish Appropriate Systems for Risk Management & Internal Control

Requirements for the formation of a Risk Management Committee:

The Risk Committee is an independent unit that specializes in risk management, while its primary role is to set policies and regulations to manage the risks according to what is consistent with the company's tendency to bear the risks facing the company, provided that its membership period is three years unless board of directors decides otherwise. The committee is comprised of a Chairman and three non-executive members, excluding the Chairman of Board of Directors. The Risk Committee performs the tasks and responsibilities to be adhered to as stipulated in the rules of corporate governance, while it holds at least four meetings during the year and has minutes of its meetings transcribed.

The Risk Committee identifies, measures, and monitors risks the company is exposed to in collaboration with the Executive Management and the company`s Risk Management Officer. The committee provides the Board with advice on the current and future risk strategy and policy and supervises the company`s strategy approved by the Board of Directors. The Risk Committee also reviews the company's Risk Management policies and procedures in accordance with the submitted reports by the Risk Management Officer prior to approval by the Board. In addition, the committee develops the policies and procedures of managing various types of risks. It is also responsible for identifying, measuring, monitoring and supervising the system of risks the company is exposed to and preparing reports thereon. The committee also follows up the results of the assessment reports and monitors the company`s risk exposure.

Overall, the committee verifies the consistency of the company`s business strategy and its business activities with the risk appetite approved by the Board. It also follows up the preparation of risk policies, procedures and methodologies in a manner that is consistent with the risk appetite and supervises the development and implementation of an appropriate structure and systems for risk management in addition to ensuring the provision of an adequate level of risk control and regulations related to the company's business.

Internal Control System:

The company is keen on establishing an internal control system to cover all the company's activities in order to maintain the company's overall financial soundness, accuracy of its data, and its operation efficiency. The principles of internal control of the dual control process in the organizational structure of the company have been taken into account through:

- Establishing appropriate roles and responsibilities.
- Complete separation of duties and no conflict of interest through the continuous updating of the organizational structure of the company
- Dual inspection and control (Internal Audit Department and Audit Committee)
- Dual signature (all checks, and contracts are signed or certified by more than one person according to the table of powers approved by the Board of Directors).
- Appointing an external auditor to audit internal control systems and preparing an annual report to be submitted to CMA per annum within a maximum of 90 days from the end date of the financial year.

The company also has a Conformity and Compliance Management that includes many distinct skills and expertise to ensure compliance with all rules and bylaws. This management is considered one of the most important tools of internal control and regulation in the company and it cooperates with the Audit Management and Risk Management to ensure implementing the inspection procedures and dual control while the Board of Directors ensures activating the role of the managements continuously.

Requirements of formation of an independent internal audit department:

The Internal Audit Department determines the policies and procedures of audit to assist the company in implementing the governance system through ongoing evaluation of the performance of the Executive Management with respect to application of the systems, means and procedures of internal audit. This aims at providing necessary recommendations for developing the system to increase the efficiency and effectiveness of the internal system. Accordingly, the Board of Directors assigned the internal Audit Department, through the Audit Committee, its tasks and responsibilities. Therefore, the company's internal audit department enjoys complete technical independence and reports to the Board Audit Committee.

One of the most important responsibilities of the Internal Audit department at Al-Safat Investment Company is to provide the Board of Directors and Executive Management with an independent and objective opinion on the availability of controls, and adequate and appropriate guarantees to support the company's activities, improve the effectiveness of controls, risk management and governance processes.

The independence of the internal audit department is a determinant of audit tasks success. Therefore, the internal audit department submits its reports to the Board Audit Committee and approves the following: organizational structure, internal audit charter and policy, internal audit plans, risk assessment methodology, and assessment of achievements and job performance of the department. The committee meets independently with the Director of Internal Auditing on a quarterly basis.

Rule Six

Promoting professional behavior and ethical values:

Standards and determinants of Code of Ethics and Business Conduct:

The Code of Ethics and Business Conduct includes standards of behavior that all company employees must follow and consider daily in all transactions in the workplace. If any concerns or doubts about non-compliance with the code of ethics are raised, the company seeks to motivate and create a culture of immediate reporting to the competent unit through several channels, including line manager, human resources, legal affairs, and conformity and compliance management. Meanwhile, no accountability measures or legal consequences of any kind should be taken against any person reporting concerns or doubts related to legal or statutory violations.

Policies and mechanisms for limiting conflicts of interest:

The company follows procedures and mechanisms for limiting conflict of interest cases, whereby members of the Board of Directors are keen on protecting the interest of shareholders, avoiding conflicts of interests with their personal interests as well as carrying out the tasks assigned to them.

Corporate Governance Report of Al Safat Investment Co.
for the Year Ended 31 December 2020

These mechanisms aim to prevent conflicts of interest and the use of insider information to achieve personal gains. These mechanisms are also part of the company's commitment to integrity in dealing with related parties. Al Safat Investment Co. has been keen to prepare a set of policies and procedures that ensure that the company's assets and resources are not used to achieve personal interests, including the policies of dealing with related parties, confidentiality and security of information and reporting illegal practices.

Rule Seven:

Timely and Accurate Disclosure and Transparency

Accurate and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure:

Al Safat Investment Co. discloses continuously and in an accurate and timely manner about all transactions and properties carried out by it or by clients of its investment portfolios. It also discloses all the quarterly and annual financial statements upon their completion and without delay, in order to ensure the reassurance of shareholders and investors of the company's conditions. The company is keen that all its disclosures are consistent with the standards imposed by CMA in this regard.

Moreover, the company discloses to CMA the impacts of COVID 19 on its financial statements for the first and second quarters of 2020.

Requirements of Disclosure Record for Board Members and Executive Management:

Board of Directors set transparent, accurate and timely presentation and disclosure mechanisms as follows:

- Board of Directors puts in place presentation and disclosure mechanisms in line with corporate governance rules.
- The company establishes a record of disclosures for Board members and Executive Management.
- The company establishes the Investor Affairs Unit responsible for providing the necessary data, information and reports to its potential investors. As it reports to the Board of Directors, the Investor Affairs Unit enjoys appropriate independence in a way that enables it to provide data, information and reports in a timely and accurate manner. This should be achieved through common channels of disclosures, including the company's website.
- The company has also developed an IT infrastructure where it relies heavily for disclosures, while the company's website displays a corporate governance section.

Requirements of formation of Investor Affairs Unit:

On 30 August 2020, the BOD appointed Mrs. Sara Al Mukaimi as Investor Affairs and Social Responsibility Officer in an effort to implement and complete what BOD achieved when it established the investor relations unit in compliance with corporate governance rules. Al Safat Investment Co. also conducted policies and procedures to regulate the process of dealing with investors and provide necessary data, information and reports to shareholders and investors through common disclosure channels.

Developing the basic structure of Information technology

Al-Safat Investment Co. is keen to update its website to include all data and information integral to disclosure of information of interest to shareholders and investors and to add all necessary data in accordance with governance rules. During this year, the company has also updated and developed its website to include the latest data and information of concern to prospective shareholders and investors.

Rule Eight

Respecting shareholders rights:

Requirements for defining and protecting the general rights of shareholders:

As Al-Safat Investment Co. followed some rules to ensure fairness, equality, and transparency for all shareholders, the BOD formulated a policy for shareholders that would enable them to exercise their rights in a conscious manner. This policy provides all information related to the company in a fair, regular and easy manner, including the company's financial performance, its strategic goals and plans, corporate governance and risk profile.

Establishing private record to be kept with the clearing agency:

The agreement concluded between Al Safat Investment Co. and the Kuwait Clearing Company stipulates that the latter shall keep a record of the shareholders of Al-Safat Investment Company and update it according to the completed transactions. The company also maintains an e-register for the shareholders that includes any changes to the completed transactions, with any concerned party being entitled to view that record.

Encouraging shareholders to participate and vote in the meetings of the company's assemblies:

Al-Safat Investment Company encourages its shareholders to participate actively in the General Assembly meetings, sending them the necessary invitations, the agenda, the necessary attachments, time and place of the meeting, and the statement of shareholders rights to exercise their voting rights with no barriers.

Some of the shareholder rights include, but are not limited to, the following:

- Right to receive their share of dividend distribution.
- Right to receive their share of Company's assets, in case of liquidation in accordance with the Companies Law.
- Right to receive information and data related to the Company's activities and its strategies on a regular basis.
- Right to participate in the General Assembly meetings of shareholders and vote on decisions in accordance with laws and regulations.
- Right to elect members to the Board of Directors.
- Right to monitor the Company's performance in general and that of the Board of Directors in particular.
- Right to hold the Board of Directors and the Executive Management of the Company accountable in accordance with the Companies Law.

- Right to record the value of shares owned.
- Right to register and transfer the ownership of shares.
- Right to review the shareholders' register.

Rule Nine:

Identifying Stakeholders' role

Regulations and policies of ensuring protection and recognition of stakeholders' rights

Al Safat Investment Co. conducted stakeholders` protection policy that has been tailored for ensuring respect and protection of related applicable laws in State of Kuwait such as labor law, companies law and executive bylaws in addition to the signed contracts between both sides. This also includes any additional obligations of the company towards stakeholders in an effort to limit the potential conflict of interest considering that none of the stakeholders gains any advantage through the deals and contracts of the company's usual business.

The company also took the initiative of protecting all stakeholders' rights while maintaining stability and career sustainability through its sound financial performance. The stakeholders-like parties in the company have been identified in the conducted policy where guidelines for protecting these rights have been set.

Encouraging stakeholders to take part and follow up the various activities of the company

The company takes into account that none of the stakeholders gains any advantage from contracts and deals within the usual business of the company in an attempt to avoid conflict of interest between stakeholders and shareholders. The company also designs internal policies and bylaws with clear mechanism for tendering various contracts and deals.

Al Safat Investment Co. sets mechanisms to maximize benefits of the stakeholder's contributions towards the company while urging them to take part in following up its activities in line with achieving the best interest in an optimal manner. The company allows stakeholders to obtain all business-related information and data, so that they depend on them in timely manner and on a regular basis. The company facilitated the process of reporting by stakeholders to the Board of Directors about any improper practices by the company and ensured appropriate protection for the reporting parties.

Rule Ten

Fostering and improving performance

Mechanisms for providing members of Board of Directors and Executive Management with ongoing training programs and workshops.

The ongoing training of Board of Directors and Executive Management are crucial pillars of the governance rules. This immensely contributes to improving the performance of the company which led to paying utmost attention to training members of Board of Directors and Executive Management. This can be achieved by setting training programs tailored to the business of the company and its strategy in addition to the operational and financial fields for all the activities of the company and its control and legal obligations.

Overall appraisal of the Board of Directors' performance and appraisal of every member of board of directors and Executive Management

Al Safat Investment Co. tailored policies and procedures as approved by the Board of Directors to implement official process for review of the annual performance of the Board of Directors and Board committees, while measuring the efficiency of their performance and their contribution to the company affairs.

The objective of appraisal process is to create consistent regular and official methodology for assessing the performance of the Board of Directors and subcommittees, which contributes to the measures for improving their performance. This process also helps in presenting the recommendations of the Board of Directors to the shareholders during the reelection of members.

It is worth noting that the assessment of the Executive Management performance is deemed as a key tool for translating the company`s business plan into procedures while developing the company culture for achieving its strategic goals.

During Q4 of 2020, the company conducted appraisals of the members of Board of Directors, the Board committees, and the CEO. It provided appraisal templates prepared by nomination and remuneration committee. The Board approved the appraisal outcome in accordance with the corporate governance and internal policies.

Board of Directors' efforts in creating corporate ethics for employees

Al Safat Investment Co. represented by the Board of Directors and Executive Management is keen on continuously stressing the importance of creating corporate ethics for all employees. This can be done through achieving the strategic goals of the company while improving the performance ratios, not to mention the compliance with regulatory authorities' laws and the governance rules. In accordance with this, the company issues a number of periodic reports (annual report, annual governance report, audit committee report) that include the holistic information on efforts to assess the members of the Board of Directors, Executive Management, shareholders and stakeholders and their ability to take sound and professional decisions.

Rule Eleven

Focusing on social responsibility

Policy of ensuring equilibrium between the goals of the company and society

The social responsibility embodies the ongoing commitment of the company to act ethically and contribute to the development of society in general, and to the company employees in particular, through bolstering the economic, social and living conditions of the manpower and entire society.

The success of the company is associated with its adoption of social responsibility programs that are linked to several humanitarian principles and standards including assuming responsibly towards all partners, whether they are shareholders, employees, individuals, stakeholders or any related party. In this respect, the Board has approved the social responsibility policy as Al Safat Investment Co. endeavors to work in a responsible and substantiable manner. While the company operates in accordance with the stakeholders requirements and aspirations, it shoulders the social responsibility and is committed to realizing the tracking and managing of its economic, environmental and social impacts in order to contribute to sustainable social development. Al Safat Investment Co. aims at underlining those responsibilities throughout its activities by applying policies within the company that focus on improving work environment, health and security, risk management, the relationship with customers and suppliers, in addition to environment protection.

Corporate Governance Report of Al Safat Investment Co.
for the Year Ended 31 December 2020

During the pandemic, Al Safat Investment Co. harnessed all its resources and group companies to meet the requirements needed for coping with crisis repercussions. To do this, the company organized several social responsibility activities such as:

1. Donating hand sanitizers, cleaning soap and any material necessary for cleaning and disinfecting to government bodies represented by the Ministries of Health, Electricity and Water, Finance, and the Ministry of Interior.
2. The company donated through its subsidiaries 340 carpets to the Public Authority for Housing Welfare for providing evacuation and quarantine places.
3. Offering design and printing services of our Modern Printing Company to meet the needs of the Ministry of Interior for publications, promotional brochures and instructional signs.
4. The company produced an instructional video about the back-to-work protocols after the lockdown. The video included internationally approved health procedures and guidelines that employees must abide by at the workplace. This video was circulated and published on various social media platforms for the benefit of everyone.

The applied programs and mechanisms of highlighting the company`s efforts in social work

Al Safat Investment Co. has designed the policies that ensure disclosure mechanisms of social responsibility objectives of the company towards employees. The company organizes awareness and educational programs for its employees in order to ensure they are well aware of the company`s social responsibility objectives on an ongoing basis with a view to raising the bar at the company while engaging the staff in implementing the social responsibility programs through contributing to its different social activities.

Abdullah Hamad AlTerkait
Chairman

Annual Audit Committee report for the year ended 31 December 2020

The Audit Committee at Al Safat Investment Company assists the Board of Directors in assuming its supervisory responsibilities of preparing the financial reports, the internal control systems, the audit process, and the company's procedures of ensuring compliance with laws, regulations and professional codes of conduct. The committee also assists the Board of Directors in assuming its supervisory responsibilities of current and emerging risk issues of the company's activities such as COVID-19 repercussions, and the measures taken to curb them, while identifying the pain points and taking necessary corrective measures in this regard. The committee assists in setting the needed regulations to address such pain points, to determine the benefits of them and to submit the relevant recommendations to the Board of Directors, while determining the application of the governance principles that ensure that both shareholders' and the company's management objectives are aligned in an effort to enhance investor's confidence in the efficiency of the internal control systems that protect their rights. The committee works to create a culture of compliance within the company by ensuring the safety and integrity of financial reports, as well as ensuring the adequacy and effectiveness of the internal control systems applied in the company.

The Audit Committee assumes its role in reviewing and supervising the reports of the external auditors regarding the quarterly and annual financial statements of the company. This takes place before presenting them to the Board of Directors. The committee holds meetings with the auditors if required in order to ensure the soundness of the company's financial statements and the independence and integrity of the external auditors whose advice remains independent and is included in the company's annual report.

Moreover, the Audit Committee has taken the necessary measures to implement corporate governance. These measures encompassed updating the existing auditing procedures and preparing the committee's minutes, decisions, and agendas. It was also recommended to the Board of Directors and to the General Assembly to contract with an independent external auditor from the registered auditors that are licensed by the Capital Markets Authority. The auditor is Mr. Bader Adel Abduljader, Al Aiban and Al-Osaimi (Ernst & Young).

The Audit Committee also emphasized the commitment of the Board of Directors and the Executive Management to submit clear written pledges of the integrity of the annual financial statements and the financial reports related to the company's activity for the fiscal year ended 31 December 2020. The pledges also include all the financial aspects of the company along with the operational results, and state that they are prepared in accordance with the international financial reporting standards.

During 2020, the Audit Committee held its regular meetings (6 meetings) in the presence of the company's external auditors and the Internal Audit Head to manage and gauge the effectiveness of the internal control systems. The following are the major achievements of the committee:

1. Reviewed the draft annual audited and consolidated annual financial statements for the fiscal year 2019 and submitted a recommendation to the Board of Directors for approval and for taking the necessary measures to request holding an ordinary general assembly meeting.
2. Approved the reclassification of some balance sheet items as of December 31, 2019 upon the request of the external auditor Ernst & Young.
3. Reviewed the internal Sharia audit reports for the fourth quarter of 2019 and the first, second and third quarters of 2020 to ensure that the Sharia Audit Unit reviewed the compliance of the company's activities and operations with Sharia provisions.
4. Evaluated the performance of the Head of the Internal Audit Department of the company in addition to the consulting body that the company has contracted with.
5. Evaluated the performance of the company's external auditor for the year 2019, Ernst & Young Al Aiban, Al Osaimi & Partners.
6. Reviewed the draft condensed consolidated interim financial statements (unaudited) for the first and second quarters of 2020 and submitted a recommendation to the Board of Directors for approval and shared it with the Capital Markets Authority in compliance with Resolution No. 30 of 2020.
7. Reviewed the disclosure templates on the impact of COVID 19 on the financial statements for the first and second quarters of 2020 and submitted a recommendation to the Board of Directors for approval.
8. Reviewed the assessment report of the company's internal control systems for the year 2019 and mandated the Head of Internal Audit to follow up and address the observations in the report with the relevant departments.
9. Reviewed the draft condensed consolidated interim financial statements (unaudited) for the third quarter of 2020 and submitted a recommendation to the Board of Directors for approval.
10. Reviewed the internal audit reports that were carried out on all company departments and mandated the Internal Audit Head to follow up and address the observations along with the company's managers.
11. Carried out annual appraisal of Committee members for 2020.

The Audit Committee believes that Al Safat Investment Company applies a sound control environment for its activities, while facilitating achieving its objectives and making progress in the effectiveness of the monitoring system in compliance with the laws and regulations issued by the regulatory authorities in the State of Kuwait.

Fahd Abdul Rahman Al Mukhaizim
Chairman of the Audit Committee

State of Kuwait
Date: 18/03/2020

Board of Directors Undertaking

We, the chairman and members of the Board of Directors of Al-Safat Investment Company KSC, hereby assure the accuracy and integrity of the financial statements as of 31 December 2020 except omission and error, and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait according to such information and reports as have been received by us from the Executive management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

Chairman
Abdullah Hamad Al-Terkait

Vice Chairman
Fahad Abdul Rahman
Al Mukhaizim

Member of the Board of Directors
Abdul Muhsen Sulaiman
Al Meshan

Member of the Board of Directors
Nasser Bader
Al Sharhan

Member of the Board of Directors
Dr. Anwar Ali
Al Naqi

Member of the Board of Directors
Mishal Ahmad
Al Jareki

Member of the Board of Directors
Abdul Razzaq Zaid
Al Dhubayn

Executive Management Undertaking

To Chairman and Members of the Board of Directors,

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwait Capital Markets Authority, we assure that the consolidated financial statements of Al-Safat Investment Company KSC, the parent company and its subsidiary companies for the financial year ended 31 December 2020, are presented in a sound and fair manner except omission and error, that they show all the Financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

The Executive Manager
Ahmed Fathy Abouzeid

Acting/ Finance Manager
Herarld Leo Fernandes

التاريخ: 1442/06/27
الموافق: 2021/02/09

تقرير هيئة الرقابة الشرعية
عن الفتـــرة الماليـــة 2020/01/01-2020/12/31

السادة /شركة الصفاة للاستثمار المحترمين

السلام عليكم ورحمة الله وبركاته، وبعد:

وفقاً للسلطات المخولة لنا من قبل أعضاء الجمعية العمومية لشركة الصفاة للاستثمار وبموجب النظام الأساسي للشركة وتعليمات الجهات الرقابية ذات الصلة فإن هيئة الرقابة الشرعية تقدم تقريرها النهائي عن الفترة 2020/01/01 – 2020/12/31 وهو يتضمن أربعة بنود على النحو الآتي:-

أولاً : أعمال هيئة الرقابة الشرعية :

قامت هيئة الرقابة الشرعية بأعمالها والتي اشتملت على فحص الهياكل الإستثمارية وصيغ العقود والمنتجات والسياسات والإجراءات ، سواء بشكل مباشر أو بالتنسيق مع إدارة التدقيق الشرعي الداخلي من أجل الحصول على جميع المعلومات والتفسيرات التي اعتبرتها ضرورية لتزويدها بأدلة تكفي لإعطاء تأكيدات معقولة بأن الشركة لم تخالف أحكام الشريعة الإسلامية في ضوء قرارات هيئة الرقابة الشرعية والمعايير الشرعية المعتمدة للشركة وقرارات الجهات الرقابية ذات الصلة .

ثانياً : قرارات هيئة الرقابة الشرعية :

قامت هيئة الرقابة الشرعية للشركة بالرد على جميع استفسارات الشركة وأصدرت عدد (7) قرارات خلال الفترة.

ثالثاً : السياسات والإجراءات المعتمدة من قبل هيئة الرقابة الشرعية:

لم تقم هيئة الرقابة الشرعية للشركة بإعتماد أية سياسات وإجراءات لمنتجات و أنشطة للشركة خلال الفترة.

رابعاً : الرأى النهائى :

في رأينا وبعد دراسة جميع الإيضاحات والتأكيدات التي حصلنا عليها فإننا نعتقد :

1. أن العقود والعمليات والمعاملات التي أبرمتها الشركة خلال الفترة من 2020/01/01 إلى 2020/12/31 تمت وفقاً لأحكام الشريعة الإسلامية ماعدا بعض الشركات التابعة للتابعة والتي تعاملت بالسحب على المكشوف، وتوصي هيئة الرقابة الشرعية إدارة الشركة بمعالجة هذه المخالفة بأسرع وقت.

والحمد لله رب العالمين ،،

رئيس هيئة الرقابة الشرعية	**عضو هيئة الرقابة الشرعية**	**عضو هيئة الرقابة الشرعية**
أ.د. عبدالعزيز القصار	**د. عصام خلف العنزي**	**د. علي إبراهيم الراشد**

Shariah External Audit Report
for the year 2020

التاريخ: 2021/02/10م

السادة/ شركة الصفاة للاستثمار   المحترمون

الموضوع : تقرير التدقيق الشرعي الخارجي للفترة المالية 2020/01/01 - 2020/12/31

السلام عليكم ورحمة الله وبركاته ،،،

وفقاً إلى عقد الإرتباط الموقع معكم فإن شركة التدقيق الشرعي الخارجي تقوم على أعمال الشركة للتأكد من إلتزامها بالمعايير المعتمدة أو بالقرارات والفتاوى الصادرة عن هيئة الرقابة الشرعية.

ولجعل عملية التدقيق الشرعي الخارجي أكثر كفاءة وفعالية فإن إجراءات التدقيق على العمليات التنفيذية للمؤسسات المالية الإسلامية تتم وفقاً لمعايير التدقيق الشرعي لشركتنا واستناداً إلى نظام ممارسة مهنة المراجعة التي تتطلب قيامنا بالتخطيط وتنفيذ أعمال التدقيق للحصول على تأكيد معقول لموافقة العمليات التنفيذية للمؤسسات المالية الإسلامية للمعايير المعتمدة أو لقرارات هيئة الرقابة الشرعية.

الممثل القانوني والمدقق الشرعي

ضاري ليث العتيقي

Shariah External Audit Report
for the year 2020 (continued)

نطاق العمل:

فإن نطاق العمل يتحدد من مدى التزام شركة الصفاة للاستثمار في تنفيذ العقود والمعاملات طبقاً لقرارات هيئة الرقابة الشرعية.

مسؤولية الشركة:

تقع مسؤولية الشركة الإلتزام بتنفيذ جميع أعمالها المعتمدة طبقاً لأحكام الشرعية الإسلامية من قبل الإدارة.

مسؤولية التدقيق الشرعي الخارجي:

إن مسؤوليتنا تنحصر في إبداء رأي مستقل في مدى مطابقة معاملات الشركة وأنشطتها وجميع أعمالها لأحكام الشريعة الإسلامية وفقاً لقرارات هيئة الرقابة الشرعية للشركة.

مهام التدقيق الشرعي الخارجي:

لقد قمنا بالتخطيط لأعمال التدقيق الشرعي الخارجي ولتحقيق العمل المطلوب قمنا بالآتي:

- فحص مجالات التدقيق .
- وضع سياسة أسلوب التدقيق (العينة / شامل) طبقا لنوع المجال.
- الإطلاع على تعاملات الأوراق المالية التي تم فحصها.
- الجهات المسؤولة في الشخص المرخص له عن إجراء التعاملات التي تم فحصها ومراحل إنجازها.
- القواعد المرجعية لتلك التعاملات (المعايير المعتمدة ، قرارات هيئة الرقابة الشرعية).
- وضع الحلول الشرعية للمخالفات – إن وجدت – سواء في التعاملات المالية أو تنفيذها.
- الزيارات الميدانية والمراسلات وغيرها وفق الجداول والنماذج المعدة لذلك.
- إجراءات التدقيق التي أدت للتوصل لنتائج أعماله الواردة في التقرير.
- الإطلاع على التقرير الشرعي الداخلي.
- الإطلاع على العقود والعمليات المعتمدة.
- التنسيق مع الجهات المسؤولة عن إجراء العمليات بجميع طرق التواصل.
- توقيع المدقق الشرعي والممثل القانوني.

الجهات المسؤولة في الشخص المرخص له إجراء التعاملات التي تم فحصها ومراحل إنجازها:

- **إدارة الاستثمار المباشر**
- **الإدارة المالية**
- **إدارة الأصول**
- **إدارة العمليات**
- **إدارة التدقيق الداخلي**
- **إدارة المخاطر**
- **إدارة الخدمات المساندة.**
- **إدارة المطابقة والالتزام.**

مجالات تم التدقيق عليها :

لقد قمنا بالإطلاع والمراجعة على:

- تقرير التدقيق الشرعي الداخلي.
- تقرير هيئة الرقابة الشرعية.
- البيانات المالية ومرفقاتها.
- الحسابات المفتوحة لدى البنوك.
- الأنشطة المستثمر بها.
- تعاملات الأوراق المالية.
- وتوزيعات الأرباح.
- العقود المنفذة وعددها (09).

وكما قمنا بالتواصل مع إدارة الشركة والزيارات الميدانية خلال الفترة المذكورة في تاريخ 2021/02/09 وعددها (1).

وتم الحصول على التفسيرات والإقرارات التي زودتنا بأدلة تكفي لإعطاء تأكيد معقول بمدى التزام معاملات الشركة وأنشطتها وتعاملات الأوراق المالية بقرارات هيئة الرقابة الشرعية للشركة والتي نعتقد بأن أعمال التدقيق التي قمنا بها توفر أساسا مناسباً لإبداء رأينا.

الرأي النهائي :

بناءً على نتائج أعمال التدقيق فإن المعاملات والعمليات المالية التي تم فحصها والإطلاع عليها كانت متوافقة مع أحكام الشريعة الإسلامية لتلك الأعمال، سوى تعامل مالي بشكل سحب على المكشوف الوارد في تقرير هيئة الرقابة الشرعية.

Building a better working world

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SAFAT INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

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

Independent auditors' report

Emphasis of Matter

We draw attention to Note 8 to the consolidated financial statements which describes that subsequent to the reporting date, Evolvance Capital Ltd (the 'custodian'), filed a lawsuit against the Parent Company in response to the legal formalities initiated by the Parent Company. On the other hand, the Parent Company is in the process of filing a counter claim before the court of law against the custodian. The ultimate outcome of this matter cannot presently be determined.

Our Opinion is not modified is respect to this matter.

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 scepticism 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.

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, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

BADER A. AL-ABDULJADER
LICENCE NO. 207 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

30 March 2021

Kuwait

Consolidated statement of financial position At 31 December 2020

	Notes	2020 KD	2019 KD
ASSETS			
Cash and bank balances	4	**2,556,345**	3,527,504
Term deposits	5	**1,360,488**	1,843,722
Accounts receivable and other assets	6	**2,150,956**	4,572,571
Inventories	7	**534,329**	1,142,247
Investment securities	8	**3,267,584**	12,221,730
Investment in associates and joint ventures	9	**3,666,893**	4,618,614
Goodwill and other intangible assets	10	**4,622**	1,285,140
Investment properties	11	**17,937,478**	16,179,711
Property, plant and equipment	12	**9,041,317**	12,157,602
TOTAL ASSETS		**40,520,012**	57,548,841
LIABILITIES AND EQUITY			
Liabilities			
Wakala payable	13	**-**	21,089,883
Bank overdrafts	4	**236,868**	102,544
Notes payable		**55,087**	165,502
Other liabilities	14	**8,075,774**	3,434,759
Lease liabilities	15	**3,575,692**	3,843,569
Total liabilities		**11,943,421**	28,636,257
Equity			
Share capital	16	**25,693,940**	25,693,940
Share premium	16	**259,677**	259,677
Statutory reserve	16	**1,334,805**	591,965
Voluntary reserve	16	**1,334,805**	591,965
Treasury shares	17	**(307,393)**	(307,393)
Treasury shares reserve		**615,002**	615,002
Asset revaluation surplus		**231,655**	194,258
Other reserves		**376,538**	-
Fair value reserve		**(10,517,317)**	(10,759,671)
Foreign currency translation reserve		**(472,938)**	(477,797)
Retained earnings		**3,840,460**	4,219,103
Equity attributable to equity holders of the Parent Company		**22,389,234**	20,621,049
Non-controlling interests		**6,187,357**	8,291,535
Total equity		**28,576,591**	28,912,584
TOTAL LIABILITIES AND EQUITY		**40,520,012**	57,548,841

Abdullah Hamad Al-Terkait
Chairman

Fahad Abdulrahman Al-Mukhaizim
Vice Chairman

Consolidated statement of financial position At 31 December 2020

	Notes	2020 KD	2019 KD
Revenue			
Revenue from contracts with customers	18	**3,016,583**	4,044,804
Cost of sales	22	**(2,578,664)**	(3,297,062)
Gross profit		**437,919**	747,742
Fee and commission income	18	**208,351**	239,994
Net investment (loss) income on financial assets	19	**(24,060)**	1,176,020
Share of results of associates and joint venture	9	**(1,000,208)**	246,630
Gain on settlement of wakala payable	13	**20,664,471**	-
Net rental income	20	**1,208,907**	1,327,205
Change in fair value of investment properties	11	**(2,416,276)**	(782,069)
Allowance for impairment losses and other provisions	21	**(8,819,501)**	(491,217)
Net foreign exchange differences		**(159,708)**	175,797
Other income		**153,433**	1,460,820
Net operating income		**10,253,328**	4,100,922
General and administrative expenses	22	**(4,278,241)**	(2,832,877)
Total operating expenses		**(4,278,241)**	(2,832,877)
Operating profit		**5,975,087**	1,268,045
Finance costs		**(255,203)**	(257,969)
Profit before tax and directors' remuneration		**5,719,884**	1,010,076
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(66,856)**	(515)
Zakat		**(54,012)**	-
Board of directors' remuneration		**(80,000)**	-
PROFIT FOR THE YEAR		**5,519,016**	1,009,561
Attributable to:			
Equity holders of the Parent Company		**7,227,530**	866,511
Non-controlling interests		**(1,708,514)**	143,050
		5,519,016	1,009,561

Consolidated Financial Statements
for the year 2020

Consolidated statement of comprehensive income For the year ended 31 December 2020

	2020 KD	2019 KD
Profit for the year	**5,519,016**	1,009,561
Other comprehensive (loss) income		
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent years:		
Share of associates other comprehensive loss	**(767,660)**	(58,502)
Exchange differences on translation of foreign operations	**32,158**	52,895
Net other comprehensive loss that may be reclassified to profit or loss in subsequent years	**(735,502)**	(5,607)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years:		
Revaluation of property, plant and equipment reclassified to investment properties	**37,397**	-
Net change in fair value of equity instruments designated at fair value through other comprehensive income	**(5,971,220)**	(1,087,960)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent years	**(5,933,823)**	(1,087,960)
Other comprehensive loss	**(6,669,325)**	(1,093,567)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(1,150,309)**	(84,006)
Attributable to:		
Equity holders of the Parent Company	**1,391,647**	(194,107)
Non-controlling interests	**(2,541,956)**	110,101
	(1,150,309)	(84,006)

Consolidated statement of changes in equity For the year ended 31 December 2020

Equity attributable to equity holders of the Parent Company

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Treasury shares	Treasury shares reserve	Asset revaluation surplus	Other reserves	Fair value reserve	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
As at 1 January 2020	25,693,940	259,677	591,965	591,965	(307,393)	615,002	194,258	-	(10,759,671)	(477,797)	4,219,103	20,621,049	8,291,535	28,912,584
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	7,227,530	7,227,530	(1,708,514)	5,519,016
Other comprehensive income (loss) for the year	-	-	-	-	-	-	37,397	-	(5,878,139)	4,859	-	(5,835,883)	(833,442)	(6,669,325)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	37,397	-	(5,878,139)	4,859	7,227,530	1,391,647	(2,541,956)	(1,150,309)
Transfer to reserves	-	-	742,840	742,840	-	-	-	-	-	-	(1,485,680)	-	-	-
Realized loss on disposal of equity securities at FVOCI	-	-	-	-	-	-	-	-	6,120,493	-	(6,120,493)	-	-	-
Change in ownership of subsidiary without loss of control (Note 23)	-	-	-	-	-	-	-	376,538	-	-	-	376,538	437,778	814,316
At 31 December 2020	**25,693,940**	**259,677**	**1,334,805**	**1,334,805**	**(307,393)**	**615,002**	**231,655**	**376,538**	**(10,517,317)**	**(472,938)**	**3,840,460**	**22,389,234**	**6,187,357**	**28,576,591**
As at 1 January 2019	25,693,940	259,677	505,263	505,263	(307,393)	615,002	194,258	-	(9,717,718)	(459,132)	3,514,813	20,803,973	8,181,434	28,985,407
Profit for the year	-	-	-	-	-	-	-	-	-	-	866,511	866,511	143,050	1,009,561
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	(1,041,953)	(18,665)	-	(1,060,618)	(32,949)	(1,093,567)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	-	(1,041,953)	(18,665)	866,511	(194,107)	110,101	(84,006)
Transfer to reserves	-	-	86,702	86,702	-	-	-	-	-	-	(173,404)	-	-	-
Share of associate's gain on acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	11,183	11,183	-	11,183
At 31 December 2019	25,693,940	259,677	591,965	591,965	(307,393)	615,002	194,258	-	(10,759,671)	(477,797)	4,219,103	20,621,049	8,291,535	28,912,584

Consolidated statement of cash flows For the year ended 31 December 2020

	Notes	2020	2019
		KD	KD
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		**5,719,884**	1,010,076
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	12	**560,556**	485,418
Impairment of intangible assets		**8,707**	-
Amortisation of intangible assets		**1,661**	4,093
Allowance for ECL	6	**1,431,514**	283,991
Impairment of property, plant and equipment	12	**546,813**	-
Net charge on inventories	7	**262,951**	1,651
Impairment of goodwill	10	**1,270,500**	200,000
Gain on disposal of property, plant and equipment		**(19,363)**	-
Change in fair value of investment properties	11	**2,416,276**	782,069
Share of results of associates and joint venture	9	**1,000,208**	(246,630)
Impairment of investment in associates	9	**183,853**	-
Income from short-term deposits	19	**(110,345)**	(213,067)
Dividend income	19	**(65,238)**	(487,543)
Unrealised loss on financial assets at fair value through profit or loss	19	**97,139**	(207,426)
Provision for employees' end of service benefits		**162,007**	137,725
Gain on settlement of wakala payable	13	**(20,664,471)**	-
Finance costs		**255,203**	238,112
		(6,942,145)	1,988,469
Changes in operating assets and liabilities			
Changes in financial assets at fair value through profit or loss		**1,470,528**	(171,267)
Accounts receivable and other assets		**1,795,387**	(467,156)
Inventories		**344,967**	142,329
Other liabilities		**3,949,433**	(662,746)
Cashflows from operations		**618,170**	829,629
Employees' end of service benefits paid		**(124,292)**	(137,417)
Receipt of government grant		**57,482**	-
Taxes paid		**-**	(1,654)
Net cash flows from operating activities		**551,360**	690,558
INVESTING ACTIVITIES			
Proceeds from sale of financial assets through other comprehensive income		**1,402,238**	-
Purchase of financial assets through other comprehensive income		**(5,346)**	-
Purchase of property, plant and equipment	12	**(1,771,278)**	(335,835)
Proceeds from sale of property, plant and equipment		**99,909**	-
Income received from short-term deposits		**110,345**	213,067
Purchase of intangible assets		**(350)**	(1,754)
Dividend income received		**65,238**	118,084
Capital expenditure on investment properties	11	**(440,052)**	(14,652)
Net movement in term deposits		**483,234**	(235,670)
Investment in a joint venture	9	**(1,000,000)**	-
Net cash flows used in investing activities		**(1,056,062)**	(256,760)
FINANCING ACTIVITIES			
Payment of lease liabilities	15	**(495,495)**	(491,662)
Net movement of notes payable		**(110,415)**	109,723
Net cash flows used in financing activities		**(605,910)**	(381,939)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,110,612)**	51,859
Cash and cash equivalents as at 1 January		**3,424,960**	3,477,179
Net foreign exchange differences		**5,129**	(104,078)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	4	**2,319,477**	3,424,960
Non-cash items excluded from the consolidated statement of cash flows:			
Transitional adjustment to property, plant and equipment on adoption of IFRS 16 (Adjusted with right-of-use assets)		**-**	(885,565)
Transitional adjustment to investment properties on adoption of IFRS 16 (Adjusted with right-of-use assets)		**-**	(3,211,554)
Transitional adjustment to lease liabilities on adoption of IFRS 16 (Adjusted with other liabilities)		**-**	4,097,119
Transfer of right-of-use assets to property, plant and equipment and investment properties		**-**	9,893,127
Transfer from right-of-use assets to property, plant and equipment		**-**	(146,562)
Transfer from right-of-use asset to investment properties		**-**	(9,746,565)
Transfer from property, plant and equipment to investment properties		**3,738,487**	-
Transfer to investment properties from property, plant and equipment		**(3,738,487)**	-

1. CORPORATE INFORMATION

The consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 21 March 2021.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares were publicly traded in Kuwait Stock Exchange ("KSE"). On 13 March 2013, the Parent Company was delisted from KSE. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA").

The activities of the Parent Company are as follows:

- Producing various chemical products and marketing them locally and abroad.
- Investing in real estate, industrial, agricultural and other economic sectors through participating the incorporation of specialized companies or acquiring shares or bonds in these companies in various sectors.
- Participating in the incorporation or partially acquiring companies in various sectors.
- Managing funds of private and public institutions and investing these funds in various economic sectors.
- Providing and preparing technical consultations, economic, valuation, feasibility studies for investment project and preparing necessary studies for those establishments and companies.
- Mediation in lending and borrowing operations.
- Acting as bond issuance managers for bonds issued by companies or agencies and investment trustee.
- Financing and mediating international commercial transactions.
- Providing loans to others taking into consideration safe principles in extending loans and the continuation of safety for financial position of the company as per rules and regulation of Central Bank of Kuwait.
- To carry out securities trading transaction including buying and selling stocks and bonds of companies and local and international governmental agencies.
- Performing all services contributing to development and supporting the ability of stock market and cash liquidity in Kuwait and satisfying needs as permitted by law and policies and procedures issued by Central Bank of Kuwait.
- Establishing and managing investment funds in its varied forms as permitted by law. The company is allowed to have interest or to participate, in any form, with agents performing similar activities or cooperate for realizing its purpose in Kuwait or abroad and it can acquire or join these agents.
- Managing activities related to review and supervision of group investment systems "Investment Manager".

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The activities of the Parent Company are carried out in accordance with Islamic Sharia principles as approved by the Group's Sharia Committee. The Parent Company's head office is located at Al-Safat Tower, 14th floor, Hawalli, Beirut Street, State of Kuwait and its registered postal address is P.O. Box 20133, Safat 13062, Kuwait.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 25.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name	Country of incorporation	Effective equity interest		Principal activities
		2020	2019	
Al Safat Holding Company K.S.C.(Closed) ('Safat Holding') *	Kuwait	**99%**	99%	Holding company
Safat House for General Trading Company W.L.L.	Kuwait	**80%**	80%	General trading
Al Safat for Consultancy K.S.C. (Closed)	Kuwait	**96%**	96%	Consultancy
Dar Al Safat General Trading Company W.L.L. *	Kuwait	**99%**	99%	General trading
The Roots Brokerage – Egypt	Egypt	**60%**	60%	Brokerage
Held through Safat Holding				
Al Assriya Printing Press Publishing and Distribution Company W.L.L. ('Al Assriya')	Kuwait	**90%**	90%	Printing and Distribution
Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed)	Kuwait	**71.92%**	71.92%	Realestate
Safat Industries Holding Company K.S.C. (Closed) ('Safat Industries')	Kuwait	**63.79%**	63.79%	Holding company
Held through Safat Industries				
Middle East for Chemical Manufacturing W.L.L. ('MECC') **	Kuwait	**50%**	100%	Chemical Products
Carpets Industry Company K.S.C. (Closed) ('Carpets')	Kuwait	**51.28%**	51.28%	Manufacturing carpets

* The Group's effective interest in the above subsidiaries is 100%. The Group directly holds the shares in the subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary. Accordingly, there are no non-controlling interests reported in the consolidated statement of financial position, related to the subsidiaries, as at 31 December 2020.

** On 31 August 2020, the Group disposed of its existing 50% interest of Middle East for Chemical Manufacturing W.L.L. ("MECC") (Note 23).

b) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 9.

Name	Country of incorporation	% equity interest		Principal activities
		2020	2019	
Asia Holding Company K.S.C. (Closed)	Kuwait	**21.70%**	21.70%	Holding company
Senergy Holding Company K.S.C.P.	Kuwait	**20.88%**	20.88%	Holding company

c) Joint venture

Set out below is the joint venture of the Group as at 31 December. For more details, refer to Note 9.

Name	Country of incorporation	% equity interest		Principal activities
		2020	2019	
The Liquid Capital Company W.L.L.	Kuwait	**50%**	-	Holding company

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as "IFRS, as adopted for use by the Central Bank of Kuwait for use by State of Kuwait").

The consolidated financial statements have been prepared on a historical cost basis except for investment in equity securities and investment properties, which have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the functional currency of the Parent Company.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 26.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 New and amended standards and interpretations adopted by the Group

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

Amendments to IFRS 3: Definition of a Business

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

Adoption of profit rate benchmark reform (IBOR reform Phase 1)

The Group has adopted profit rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform Phase 1) with effect from 1 January 2020. IBOR reform Phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by profit rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. IBOR reform Phase 1 provides reliefs which require the Group to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow the Group to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. These amendments did not have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

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.

The revised Conceptual Framework includes some new concepts, provides 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.

2.2.2 Summary of accounting policies for new transactions and events

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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 Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in 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 Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on 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. The Group is currently assessing the impact the amendments will have on its current accounting policies and whether the Group may wish to re-assess covenants in its existing loan agreements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

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.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. 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 must 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.

The amendments are not expected to have a material impact on the Group.

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Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting. The Group will apply IBOR reform Phase 2 from 1 January 2021.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.4.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the capital. For each business combination, the Group elects whether to measure the non-controlling interests in the capital at fair value or at the proportionate share of the capital's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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 capital.

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Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 ***Financial Instruments***, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 ***Provisions, Contingent Liabilities and Contingent Assets*** or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.4.3 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The factors considered in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate and joint venture. since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

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

The aggregate of the Group's share of profit or loss of an associate or joint venture is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

Upon loss of "significant influence" and "joint control" over the associate and joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate and joint venture upon loss of significant influence and joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Where applicable, adjustments are made to bring the accounting policies of the associate in line with those of the Group. The difference in reporting date of the associate and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

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2.4.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

2.4.5 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a. *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b. *Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c. *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 ***Financial Instruments: Presentation*** and are not held for trading. The classification is determined on an instrument-by-instrument basis.

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Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d. *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss

Financial liabilities at amortised cost

Wakala payables

Wakala payables represent amounts payable on a deferred settlement basis for assets purchased under wakala arrangements. Wakala payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Bank overdrafts and notes payables

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Other liabilities

Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition

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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

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

2.4.6 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- Trade and other receivables, including contract assets
- Financial assets measured at amortised cost (credit facilities)

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

i. Impairment of financial assets other than credit facilities

The Group recognises an allowance for expected credit losses (ECLs) 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, discounted at an approximation of the 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.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii. Impairment of credit facilities

Credit facilities granted by the Group consist of loans and advances. Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

Provisions for credit losses in accordance with the CBK instructions

The Group is required to calculate provisions for credit losses on credit facilities in accordance with the CBK instructions with respect to credit facilities and the calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and

impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management's judgement of a customer's financial and/or non-financial circumstances.

Minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

2.4.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition are accounted for as follows:

- Finished goods	- production cost on a specific identification basis.
- Spares and consumables	- purchase cost on a weighted average basis.
- Goods in transit	- purchase cost incurred up to the reporting date.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.4.8 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

2.4.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

2.4.10 Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Except for leasehold land stated at revalued amount, property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

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Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The estimated useful lives are, as follows:

- Buildings	10 years
- Buildings improvements	10 years
- Machinery and equipment	2 – 25 years (2019: 2 - 40 years)
- Furniture, fixtures and computers	3 - 8 years
- Vehicles	3 - 8 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of these assets commences when the assets are ready for their intended use.

2.4.11 Impairment of non-financials assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.4.12 Employees end of service benefits

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

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

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2.4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.14 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. 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.

2.4.15 Dividend income

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

2.4.16 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

Contribution to Zakat is calculated at 1% of the profit for the year attributable to Parent Company in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

2.4.17 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms. Rental income is recorded net of real estate operating expenses.

Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Sale of goods - inventory and spare parts

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

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

Rendering of services

Revenue from rendering of services is recognised at the point in time when the control of the related services is transferred to the customer, generally on completion of the underlying service.

2.4.18 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.4.19 Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

2.4.20 Contingencies

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

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

2.4.21 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

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Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4.22 Leases

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. *Right-of-use assets*

The Group recognises 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (2.4.10) Impairment of non-financial assets.

ii. *Lease liabilities*

At the commencement date of the lease, the Group recognises 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 the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 interest 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii. *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (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 to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

3.1 Significant judgments

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

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Legal cases

In accordance with IFRSs, outcome of legal cases may result in disclosure of contingent assets, contingent liabilities or recognition of a provision. Contingent asset are possible assets that arise from past events and whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control and are disclosed if the inflow of economic benefits is probable.

The Group may also recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements.

Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for disclosures and provision in its consolidated financial statements. Among the factors considered in making decisions on disclosure or provisions are the nature of litigation, claim or assessment, the legal process and potential outcome in the jurisdiction in which the litigation has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates and joint ventures

Investment in associates and joint ventures are accounted for under the equity method of accounting, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates and joint venture, less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of intangible assets with indefinite useful lives

The Group tests whether an intangible asset with an indefinite useful live has suffered any impairment on an annual basis. For the 2020 and 2019 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates (Note 10). These growth rates are consistent with forecasts specific to the industry in which each CGU operates.

Impairment of financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 ***Fair Value Measurement***.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 11.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3.3 Changes in Accounting Estimates

The accounting estimates used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except as mentioned below:

Changes in accounting estimate

In accordance with its policy, the Group reviews the estimated useful lives of its machinery and equipment on an ongoing basis. As a result of the review one of the subsidiaries of the Group Al-Assriya, effective 1 January 2020, changed its estimates of the useful lives of its machinery and equipment to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the machinery and equipment that previously averaged 2-40 years were decreased to an average of 2-25 years.

The effect of this change in estimate has increased the depreciation expense recorded and decreased the profit, for the year ended 31 December 2020 by KD 49,766.

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4. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2020 KD	2019 KD
Cash on hand	**40,333**	28,059
Cash at banks and financial institutions	**2,516,012**	3,499,445
Total cash and bank balances	**2,556,345**	3,527,504
Less: bank overdrafts	**(236,868)**	(102,544)
Total cash and cash equivalents	**2,319,477**	3,424,960

5. TERM DEPOSITS

	2020 KD	2019 KD
Term deposits	**11,000**	511,000
Restricted deposits	**1,349,488**	1,332,722
	1,360,488	1,843,722

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2020 KD	2019 KD
Trade receivables	**8,929,412**	8,191,996
Less: Allowance for expected credit losses	**(7,746,949)**	(6,315,435)
	1,182,463	1,876,561
Dividends receivable (Note 8)	**-**	1,770,650
Prepayments, advances and deposits	**518,096**	617,891
Receivables from related parties (Note 25)	**312,714**	129,821
Other assets	**137,683**	177,648
	2,150,956	4,572,571

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 26.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2020 KD	2019 KD
Opening expected credit losses	**6,315,435**	6,154,725
Allowance recognised in profit or loss during the year (Note 21)	**1,431,514**	283,991
Write-off	**-**	(123,281)
As at 31 December	**7,746,949**	6,315,435

7. INVENTORIES

	2020 KD	2019 KD
Finished goods and goods for resale (at lower of cost and net realisable value)	**150,402**	653,554
Raw materials (at cost)	**646,129**	548,161
Spare parts and consumables (at lower of cost and net realisable value)	**113,419**	52,872
	909,950	1,254,587
Less: provision for slow moving and obsolete inventories	**(377,304)**	(114,353)
Goods in transit (at cost)	**1,683**	2,013
Total inventories at the lower of cost and net realisable value	**534,329**	1,142,247

Set out below is the movement in the provision for slow moving and obsolete inventories:

	2020 KD	2019 KD
As at 1 January	**114,353**	112,702
Charge of provision (Note 21)	**741,347**	1,651
Write-off	**(478,396)**	-
As at 31 December	**377,304**	114,353

8. INVESTMENT SECURITIES

	2020 KD	2019 KD
Financial assets at FVTPL		
Quoted equity securities	**286,554**	1,757,542
Unquoted equity securities	**11,512**	108,191
	298,066	1,865,733
Financial assets at FVOCI		
Quoted equity securities	**1,263,698**	5,638,765
Unquoted equity securities	**1,705,820**	4,717,232
	2,969,518	10,355,997
Investment securities (at fair value)	**3,267,584**	12,221,730

Financial assets at FVTPL include investments in related parties of KD 39,472 (2019: KD 71,787) (Note 25).

Financial assets at FVOCI include investments in related parties of KD 1,325,470 (2019: KD 3,513,049) (Note 25).

No financial asset at FVOCI are secured against wakala payable (2019: KD 2,930,155).

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 29.

Legal case

During the year, the Court of Cassation ruled in favour of the Parent Company on its disputes with the bank, as detailed in Note 13. As result of this ruling, the Parent Company initiated legal formalities for transferring 25,295,591 shares of Qudra to the bank and also claiming other related assets (i.e. its non-mortgaged holding of 35,786,417 Qudra shares amounting to KD 3,250,521 and related dividends receivable of KD 1,771,819) from Evolvance Capital Ltd (the 'custodian'). However, the Parent Company encountered difficulties in confirming and reclaiming the aforementioned assets from the custodian. Further, subsequent to the reporting date, the custodian filed a lawsuit against the Parent Company claiming an amount of AED 71,082,525 (equivalent KD 5,847,092) in lieu of management fees for the years 2007 to 2020.

The Parent Company intends to contest the custodian's claim in the court of law. Based on the Parent Company's legal counsel, the amount claimed by the custodian is unrealistic and does not have any merit since the custodian does not have any right to claim management fees according to the mutual contractual agreements. Notwithstanding the above, the custodian has confirmed asset positions in the past without claiming such fees. The Parent Company has been advised by its legal counsel that it is only possible, but not probable, that the action against the Parent Company will succeed. Accordingly, the Group has not recognised any provision for any liability in the consolidated financial statements.

However, considering the ongoing legal dispute and the uncertainty around the recoverability of the assets held by custodian, the Parent Company has made a provision of KD 2,297,615 against 25,295,591 shares of Qudra to be transferred the bank as per the Court of Cassation's ruling. The Group has also written down its investment in Qudra, which had a carrying value of KD 3,250,521 to zero and recognised a full provision against the dividends receivable carried at KD 1,771,819, in the consolidated financial statements as at and for the year ended 31 December 2020.

9. INVESTMENT IN ASSOCIATES and Joint Venture

	2020 KD	2019 KD
Investment in associates	**2,684,009**	4,618,614
Investment in joint venture	**982,884**	-
	3,666,893	4,618,614

Investment in associates

The following table illustrates summarised financial information of the Group's investment in its associates. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Asia Holding Company K.S.C. (Holding)*		***Senergy Holding Company K.S.C.P. ("Senergy")*****		***Total***	
	2020 KD	2019 KD	**2020 KD**	2019 KD	**2020 KD**	2019 KD
Current assets	**138,496**	1,781,108	**7,679,542**	7,606,602	**7,818,038**	9,387,710
Non-current assets	**2,699,288**	5,143,750	**8,141,140**	10,613,415	**10,840,428**	15,757,165
Total assets	**2,837,784**	6,924,858	**15,820,682**	18,220,017	**18,658,466**	25,144,875
Current liabilities	**(2,950)**	(28,874)	**(2,896,997)**	(3,436,943)	**(2,899,947)**	(3,465,817)
Non-current liabilities	**-**	(30,462)	**(3,013,983)**	(678,941)	**(3,013,983)**	(709,403)
Total liabilities	**(2,950)**	(59,336)	**(5,910,980)**	(4,115,884)	**(5,913,930)**	(4,175,220)
Equity	**2,834,834**	6,865,522	**9,909,702**	14,104,133	**12,744,536**	20,969,655
Group's share in %	**21.7%**	21.7%	**20.88%**	20.88%		
Group's share in KD	**615,159**	1,489,818	**2,068,850**	2,944,943	**2,684,009**	4,434,761
Goodwill	**-**	-	**-**	183,853	**-**	183,853
Group's carrying amount of the investment	**615,159**	1,489,818	**2,068,850**	3,128,796	**2,684,009**	4,618,614
Revenue	**15,700**	1,878,518	**4,170,463**	2,466,621	**4,186,163**	4,345,139
(Loss) profit	**(546,429)**	1,836,417	**(4,141,002)**	(727,359)	**(4,687,431)**	1,109,058
Other comprehensive loss	**(3,471,244)**	(23,953)	**(68,975)**	(255,287)	**(3,540,219)**	(279,240)
Total comprehensive (loss) income	**(4,017,673)**	1,812,464	**(4,209,977)**	(982,646)	**(8,227,650)**	829,818
Group's share of (loss) profit for the year	**(118,575)**	398,503	**(864,517)**	(151,873)	**(983,092)**	246,630

* Private entity – no quoted price available.

** As at 31 December 2020, the fair value of the Group's investment in Senergy (based on quoted market price in Boursa Kuwait) was KD 885,185 and the carrying amount of the net assets of the entity exceeds its market capitalisation. The management based on their assessment identified an impairment loss of KD 183,853, which has been entirely allocated to goodwill.

A reconciliation of the above summarised financial information to the carrying amount of the associates is set out below:

Reconciliation to carrying amounts	**2020 KD**	2019 KD
At 1 January	**4,618,614**	4,419,303
Share of (loss) profit for the year	**(983,092)**	246,630
Share of other comprehensive loss	**(767,660)**	(58,502)
Share of associate's gain on acquisition of non-controlling interest	**-**	11,183
Impairment for the year (Note 21)	**(183,853)**	-
At 31 December	**2,684,009**	4,618,614

Investment in a joint venture

On 11 Feb 2020, the Group invested in a 50% equity interest in The Liquid Capital Company W.L.L. ('TLCC') and determined that it exercises joint control over TLCC and consequently accounted for this transaction under IAS 28: ***'Investment in Associate and Joint ventures'***. TLCC is a limited liability company incorporated and domiciled in Kuwait with a paid up capital of KD 2,000,000 and for which the group contributed KD 1,000,000.

The following table illustrates summarised financial information of the Group's investment in its joint venture "The Liquid Capital Company W.L.L."

	2020 KD
Current assets	32,664
Non-current assets	3,695,159
Total assets	3,727,823
Current liabilities	11,972
Non-current liabilities	1,750,084
Total liabilities	1,762,056
Equity	1,965,767
Group's share in equity %	50%
Group's carrying amount of the investment	982,884
Revenue	674
Loss	**(34,233)**
Other comprehensive income (loss)	-
Total comprehensive income (loss)	**(34,233)**
Group's share of loss for the year	**(17,116)**

The joint venture is a private entity – no quoted price available.

A reconciliation of the above summarised financial information to the carrying amount of the joint venture is set out below:

Reconciliation to carrying amounts	2020 KD
Additions during the year	**1,000,000**
Share of loss for the year	**(17,116)**
At 31 December	**982,884**

10. GOODWILL and intangible assets

	2020 KD	2019 KD
Goodwill	**-**	1,270,500
Intangible assets	**4,622**	14,640
Total goodwill and intangible assets	**4,622**	1,285,140

Goodwill

Net book value of goodwill as at 31 December 2020 amounting to nil (2019: KD 1,270,500) is allocated to Group's investment in a subsidiary. The recoverable amount of the subsidiary has been determined based on value-in-use calculation, using cash flow projections.

The recoverable amount has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period based on the historical pattern of trade volumes, revenue growth and market share. The discount rate applied to cash flow projections is 7.5% (2019: 9%) and cash flows beyond the five-year period are extrapolated using a 3% growth rate (2019: 3%), which does not exceed the long- term average growth rate of the State of Kuwait.

As a result of the analysis, the carrying amount of the subsidiary was determined to be higher than its recoverable amount and accordingly, management has recognised an impairment charge of KD 1,270,500 (2019: KD 200,000) in the current year. The impairment loss was fully allocated to goodwill and included in the consolidated statement of profit or loss.

Key assumptions used in value in use calculations

- Discount rate
- Market share during the forecast period
- Long-term growth rate (terminal value) used to extrapolate cash flows beyond the forecast period

Discount rates

Discount rates represent the current market assessment of the risks specific to the subsidiary, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Projected growth rates

Assumptions are based on published industry research.

Inflation rates

Estimates are obtained from published indices for the countries where the Group operates.

11. INVESTMENT PROPERTIES

	2020 KD	2019 KD
Completed	**14,198,991**	16,179,711
Under development	**3,738,487**	-
Investments properties	**17,937,478**	16,179,711

Investment Properties Completed

	2020 KD	2019 KD
As at 1 January	**16,179,711**	3,992,451
Effect on adoption of IFRS 16	**-**	3,211,554
Reclassification on adoption of IFRS 16 *	**-**	9,746,565
Capital expenditure	**440,052**	14,652
Change in fair value	**(2,416,276)**	(782,069)
Exchange differences	**(4,496)**	(3,442)
As at 31 December	**14,198,991**	16,179,711

* On adoption of IFRS 16, the Group opted to include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Accordingly, as at 1 January 2019, the Group reclassified an amount of KD 9,746,565, from utilisation rights to investment properties.

Investment properties comprise of building on a leasehold land amounting to KD 11,157,329 (2019: 12,190,702) and other commercial properties amounting to KD 3,041,662 (2019: 3,989,009).

The Group's investment properties are located in the following geographical locations:

	2020 KD	2019 KD
Kuwait	11,157,329	12,190,702
Other countries	3,041,662	3,989,009
	14,198,991	16,179,711

	2020 KD	2019 KD
Market value as estimated by the external valuer	11,321,662	13,130,009
Add: lease liabilities recognised separately	2,877,329	3,049,702
Fair value for financial reporting purposes	14,198,991	16,179,711

The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed a decrease of KD 2,416,276 compared to its carrying values as at 31 December 2020 (2019: KD 782,069).

Investment Property Under Development

	2020 KD
As at 1 January	-
Transfer from property, plant and equipment (Note 12)	3,701,090
Revaluation of property, plant and equipment reclassified to investment properties	37,397
As at 31 December	3,738,487

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	2020 KD
Market value as estimated by the external valuer	3,582,000
Add: lease liabilities recognised separately	156,487
Fair value for financial reporting purposes	3,738,487

Investment property under development is located in Kuwait.

The fair value of investment property under development has been determined using the market comparable approach, due to a high volume of transactions involving comparable properties in the area. Under the market comparable approach, a property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sqm).

The fair value of investment properties under development is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13.

12. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets KD	Buildings KD	Building improvements KD	Machinery and equipment* KD	Furniture, fixtures and computers KD	Vehicles KD	Total KD
Cost:							
At 1 January 2020	9,241,918	2,055,816	277,145	5,097,172	1,962,935	322,289	18,957,275
Additions	-	63,331	1,597,100	72,267	4,130	34,450	1,771,278
Disposals	(101,971)	-	-	-	-	(31,303)	(133,274)
Write off	-	-	-	-	(188)	-	(188)
Transfer to investment properties (Note 11)	(2,068,976)	-	(1,649,012)	-	-	-	(3,717,988)
Exchange differences	-	-	-	66	788	-	854
At 31 December 2020	**7,070,971**	**2,119,147**	**225,233**	**5,169,505**	**1,967,665**	**325,436**	**16,877,957**
Depreciation & impairment:							
At 1 January 2020	107,001	1,622,164	174,739	3,022,867	1,710,576	162,326	6,799,673
Impairment	-	-	-	546,813	-	-	546,813
Depreciation charge for the year	151,816	36,076	10,415	252,470	67,011	42,768	560,556
Disposals	(37,238)	-	-	-	-	(15,490)	(52,728)
Transfer to investment properties (Note 11)	(16,898)	-	-	-	-	-	(16,898)
Write off	-	-	-	-	(188)	-	(188)
Exchange differences	-	-	-	54	(642)	-	(588)
At 31 December 2020	**204,681**	**1,658,240**	**185,154**	**3,822,204**	**1,776,757**	**189,604**	**7,836,640**
Net book value:							
At 31 December 2020	**6,866,290**	**460,907**	**40,079**	**1,347,301**	**190,908**	**135,832**	**9,041,317**

* During the year ended 31 December 2020, the Group has changed its estimates of the useful lives of machinery and equipment effective from 1 January 2020 (Note 3.3).

	Right-of-use assets KD	Buildings KD	Building improvements KD	Machinery and equipment* KD	Furniture, fixtures and computers KD	Vehicles KD	Total KD
Cost:							
At 1 January 2019 (as previously reported)	8,209,791	2,043,269	211,451	5,998,603	1,923,241	194,569	18,580,924
Reclassification on adoption of IFRS 16	146,562	-	-	-	-	-	146,562
Effect of adoption of IFRS 16	885,565	-	-	-	-	-	885,565
Adjusted balance at 1 January 2019	9,241,918	2,043,269	211,451	5,998,603	1,923,241	194,569	19,613,051
Additions	-	12,547	65,694	92,478	37,396	127,720	335,835
Disposals	-	-	-	(993,685)	(3,673)	-	(997,358)
Exchange differences	-	-	-	(224)	5,971	-	5,747
At 31 December 2019	9,241,918	2,055,816	277,145	5,097,172	1,962,935	322,289	18,957,275
Depreciation:							
At 1 January 2019	-	1,520,872	164,716	3,841,831	1,638,729	137,790	7,303,938
Depreciation charge for the year	107,001	101,292	10,023	173,718	68,848	24,536	485,418
Disposals	-	-	-	(993,685)	(3,673)	-	(997,358)
Exchange differences	-	-	-	1,003	6,672	-	7,675
At 31 December 2019	107,001	1,622,164	174,739	3,022,867	1,710,576	162,326	6,799,673
Net book value:							
At 31 December 2019	9,134,917	433,652	102,406	2,074,305	252,359	159,963	12,157,602

The depreciation included in the consolidated statement of profit or loss is allocated as follows:

	2020 KD	2019 KD
Cost of sales (Note 22)	**331,750**	287,026
General and administrative expenses (Note 22)	**228,806**	198,392
	560,556	485,418

13. WAKALA PAYABLE

The amount represented a wakala payable to Qatar National Bank (the "bank"), that has been settled during the year (2019: KD 21,089,883).

In 2010, the bank filed a legal action against the Parent Company claiming the principal amount of 360 million Qatari Riyals ("QR") and interest thereon of 12% per annum. The Parent Company made payments of QR 106,684,937 (equivalent to KD 8,172,909) as at 1 January 2012 towards the principal amount, reducing the total liability to KD 19,405,935 as of that date.

On 5 May 2013, the Court of First Instance ruled in the favour of the Parent Company and declared the wakala agreement null and void and dismissed the case. However, the bank decided to appeal against the decision before the Court of Appeal.

On 27 January 2016, an unfavourable judgement was handed down against the Parent Company obligating the Parent Company to settle an amount of QR 360 million plus interest thereon at a rate of 12% per annum, effective from 1 June 2010 until the full payment is made. However, the Parent Company appealed against the ruling before the Court of Cassation.

On 21 March 2018, the Court of Cassation accepted the appeal filed by the Parent Company and suspended any ongoing execution proceedings of the appealed verdict and assigned a panel of three experts to verify the elements of the appeal and submit their findings accordingly.

On 1 November 2018, the panel carried out its mandate as specified in the court ruling and filed its experts' findings report in the court, however both parties to the litigation have objected those discovery findings before the court.

On 19 June 2019, the Court of Cassation ruled that the case should be returned to the Expert Department at the Ministry of Justice to assign a panel of three accounting experts, none of whom had previously been involved in the litigation, to examine the objections of both parties and carry out the mandate specified in the referral judgment.

On 18 October 2019, the experts' findings report (the "report") was issued. The report provided the experts' views on various aspects of the case for consideration of the court of law. In the view of the experts, amongst various other conclusions drawn, the Parent Company shall settle the wakala payable by returning 25,295,591 shares of "Al Qudra Holding Company" and settle an additional amount of QR 8,272,968 in cash.

On 28 July 2020, the Court of Cassation cancelled the ruling issued by the Court of Appeals and issued a final ruling whereby, the Bank was entitled to receive an amount of QR 8,272,968, or Kuwaiti Dinars equivalent in cash and as well an interest of 7% per annum, from the date of this ruling till the date of settlement. In addition to this, the bank also had the right to receive 25,295,591 shares of Al Qudra Holding Company ("Qudra").

Accordingly, the Parent Company has reversed the liability for wakala payables, amounting to KD 21,295,170 and recorded amount payable to the bank amounting to KD 630,699, including accrued interest, under "other liabilities". The Parent Company has also derecognized its investment at fair value through OCI in Qudra, equivalent to 25,295,591 shares and recognised a loss of KD 5,332,638 on derecognition, within equity. Further, the Parent Company has initiated the legal formalities and is in the process of transferring 25,295,591 shares of Qudra to the bank.

This resulted in the following gain in the consolidated statement of profit or loss:

	2020 KD
Gain on derecognition of liabilities no longer required	**21,295,170**
Less: amount payable to the bank	**(630,699)**
Gain on settlement of wakala payables	**20,664,471**

14. OTHER LIABILITIES

	2020 KD	2019 KD
Trade payables	**2,128,225**	1,341,148
Amounts due to related parties (Note 25)	-	685,000
Accrued staff leave	**256,385**	191,626
Provision for employees' end of service benefits	**919,368**	882,351
Accrued expenses	**468,818**	296,804
Payable on settlement of wakala payable	**649,689**	-
Provision for transferring Qudra shares to bank (Note 8)	**2,297,615**	-
Other provisions related to dispute with custodian (Note 21)	**404,170**	-
KFAS payable	**92,657**	17,082
ZAKAT payable	**52,858**	16,318
Board of directors' remuneration	**80,000**	-
Other payables	**725,989**	4,430
	8,075,774	3,434,759

15. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2020 KD	2019 KD
As at 1 January	**3,843,569**	-
Effect of adopting IFRS 16	**-**	4,097,119
Finance cost	**227,618**	238,112
Payments	**(495,495)**	(491,662)
As at 31 December	**3,575,692**	3,843,569
Current portion	**290,908**	290,585
Non-current portion	**3,284,784**	3,552,984
	3,575,692	3,843,569

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 6.5%.

The maturity analysis of lease liabilities are disclosed in Note 27.

The following are the amounts recognised in profit or loss related to right-of-use assets and lease liabilities:

	2020 KD	2019 KD
Depreciation expense of right-of-use assets	**151,816**	107,001
Finance costs on lease liabilities	**227,618**	238,112
Total amount recognised in profit or loss	**379,434**	**345,113**

16. EQUITY

a) Share capital

	Number of shares		Authorised, issued and fully paid	
	2020	2019	**2020 KD**	2019 KD
Shares of 100 fils each (paid in cash)	**256,939,400**	256,939,400	**25,693,940**	25,693,940

The Board of Directors have proposed a bonus shares issue of 5% of the authorised, issued, and fully paid share capital for the year ended 31 December 2020 (2019: Nil%). This proposal is subject to the approval at the Annual General Meeting of the shareholders of the Parent Company. No cash dividends were declared for the year ended 31 December 2020 (2019: Nil).

b) Share premium

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

c) Statutory reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and Director's remuneration attributable to the equity holders of the Company shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

d) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association a maximum of 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the annual general assembly of the Parent Company upon a recommendation by the Board of Directors. There are no restrictions on distribution of the voluntary reserve.

17. TREASURY SHARES

	2020	2019
Number of treasury shares	**803,011**	803,011
Percentage of issued shares (%)	**0.31%**	0.31%
Cost of treasury shares (KD)	**307,393**	307,393

Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

18. DISAGGREGATION OF REVENUE

Contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2020 KD	2019 KD
Types of goods or services:		
Sale of goods	**2,994,962**	3,651,303
Rendering of services	**21,621**	393,501
	3,016,583	4,044,804
Timing of revenue recognition:		
Goods and services transferred at a point in time	**2,994,962**	3,871,724
Goods and services transferred over time	**21,621**	173,080
	3,016,583	4,044,804

Fee and commission income

Set out below is the disaggregation of the Group's fees and commission income:

	2020 KD	2019 KD
Types of goods or services:		
Rendering of services	**208,351**	239,994
	208,351	239,994
Timing of revenue recognition:		
Goods and services transferred at a point in time	**176,625**	123,400
Goods and services transferred over time	**31,726**	116,594
	208,351	239,994

19. NET INVESTMENT (LOSS) INCOME ON FINANCIAL ASSETS

	2020 KD	2019 KD
Income from deposits	**110,345**	213,067
Dividend income	**65,238**	487,543
Realised (loss) gain on sale of financial assets at FVTPL	**(102,504)**	267,984
Unrealised (loss) gain on financial assets at FVTPL	**(97,139)**	207,426
	(24,060)	1,176,020

20. NET RENTAL INCOME

	2020 KD	2019 KD
Rental income	**1,413,614**	1,537,567
Less: property and maintenance expenses	**(204,707)**	(210,362)
	1,208,907	1,327,205

21. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2020 KD	2019 KD
ECL on trade receivables (Note 6)	**1,431,514**	283,991
Write-down of inventories (Note 7)	**741,347**	1,651
Provision for transferring Qudra shares to bank (Note 8)	**2,297,615**	-
Provision for dividend receivables (Note 8)	**1,771,819**	-
Impairment of investment in associates (Note 9)	**183,853**	-
Impairment of goodwill (Note 10)	**1,270,500**	200,000
Impairment on property plant and equipment (Note 12)	**546,813**	-
Other provisions related to dispute with custodian (Note 14)	**404,170**	-
Other provisions	**171,870**	5,575
	8,819,501	491,217

22. PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2020 KD	2019 KD
Included in cost of sales:		
Materials and spare parts	**1,267,018**	1,931,247
Salaries, wages and other staff costs	**671,369**	758,453
Repairs and maintenance	**24,728**	56,985
Depreciation expense (Note 12)	**331,750**	287,026
Other expenses	**283,799**	263,351
	2,578,664	3,297,062
Included in general and administrative expenses:		
Staff costs	**1,742,092**	1,681,425
Selling and distribution expenses	**235,330**	269,086
Legal and professional fees	**1,678,463**	300,800
Rent expense for short-term leases	**17,856**	15,275
Depreciation expense (Note 12)	**228,806**	198,392
Other expenses	**375,694**	367,899
	4,278,241	2,832,877

23. MATERIAL PARTLY-OWNED SUBSIDIARY

Financial information of the subsidiary that has material non-controlling interests is provided below:

Name of subsidiary	Country of incorporation and operation	2020	2019
Safat Industries Holding Company K.S.C. (Closed)	Kuwait	**36.21%**	36.21%
Accumulated balances of material non-controlling interests		**5,288,794**	6,618,543
Profit allocated to material non-controlling interests		**(1,080,080)**	182,961

The consolidated financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2020 KD	2019 KD
Revenue	**1,315,810**	1,598,838
Expenses	**(2,872,887)**	(768,644)
Total profit and comprehensive income	**(1,557,077)**	830,194
Attributable to non-controlling interests	**(1,080,080)**	182,961

Summarised consolidated statement of financial position:

	2020 KD	2019 KD
Current assets	**1,824,357**	3,322,579
Non-current assets	**9,148,757**	10,307,351
TOTAL ASSETS	**10,973,114**	13,629,930
Current liabilities	**783,114**	643,664
Non-current liabilities	**480,295**	495,223
TOTAL LIABILITIES	**1,263,409**	1,138,887
TOTAL EQUITY	**9,709,705**	12,491,043
Attributable to:		
Equity holders of the Parent Company	**4,420,911**	5,872,500
Non-controlling interests	**5,288,794**	6,618,543

Summarised cash flow information:

	2020 KD	2019 KD
Cash flows used in operating activities	**(303,812)**	706,912
Cash flows used in investing activities	**(172,274)**	(400,228)
Cash flows used in financing activities	**(110,415)**	109,723
Net (decrease) increase in cash and cash equivalents	**(586,501)**	416,407

Transactions with non-controlling interests

On 31 August 2020, the Group disposed of its existing 50% interest of Middle East for Chemical Manufacturing W.L.L. ("MECC"), for KD 814,316. The effect of the transaction on the equity attributable to the holders of the Parent Company during the year is summarised as follows:

	2020 KD
Consideration received for interests sold in MECC	**814,316**
Less: Carrying amount of interest sold in MECC	**(224,001)**
Gain on disposal of MECC interest	**590,315**
Attributable to:	
Equity holders of the Parent Company	**376,538**
Non-controlling interests	**213,777**

The Group recognised an increase in equity attributable to owners of the Parent Company of KD 376,538, under other reserves and an increase in non-controlling interests of KD 437,778. There were no transactions with non-controlling interests in 2019.

24. FIDUCIARY ASSETS

The Group manages investment portfolios on behalf of clients. The total value of these portfolios at 31 December 2020 amounted to KD 13,922,416 (2019: KD 16,885,893) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

For the year ended 31 December 2020, income earned from fiduciary assets amounted to KD 31,726 (2019: KD 116,594).

25. RELATED PARTY DISCLOSURES

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and are subject to the approval of the shareholders at the annual general assembly meeting (AGM).

The following tables show the aggregate value of transactions and outstanding balances with related parties:

	2020 KD	2019 KD
Consolidated statement of financial position:		
Other assets - Other related parties (Note 6)	**312,714**	129,821
Financial assets at FVTPL - Other related parties (Note 8)	**39,472**	71,787
Financial assets at FVOCI - Other related parties (Note 8)	**1,325,470**	3,513,049
Other liabilities – Other related parties (Note 14)	**-**	685,000

	2020 KD	2019 KD
Consolidated statement of profit or loss:		
Management fees - Associate companies	**11,790**	7,470
Management fees - Other related parties	**571**	3,524

	2020 KD	2019 KD
Consolidated statement of comprehensive income:		
Disposal of financial assets at FVOCI - Associate companies	**1,402,238**	-

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 9,831,449 (2019: KD 11,667,341).

Key management personnel

Key management personnel comprise the Board of Directors, Executive Committees and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

	2020 KD	2019 KD
Salaries and short-term benefits	**124,763**	134,876
Committees remuneration	**39,000**	36,000
Employees' end of service benefits	**12,981**	18,635
	176,744	189,511

26. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of bank overdrafts, notes payable and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and short-term deposits and accounts receivable and other assets that derive directly from its operations. The Group also holds investments in securities.

The Group is exposed to credit risk, liquidity risk and market risk (including foreign currency risk, interest rate risk and equity price risk). The Group's senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

26.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2020 KD	2019 KD
Bank balances	**2,516,012**	3,499,445
Term deposits	**1,360,488**	1,843,722
Accounts receivable and other assets (excluding prepaid expenses and advances)	**1,632,860**	3,954,680
	5,509,360	9,297,847

Balances with banks and term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents and term deposits has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Trade receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables				
		Days past due			
31 December 2020	***Total***	***< 90 days***	***90–180 days***	***180– 365 days***	***> 365 days***
	KD	**KD**	**KD**	**KD**	**KD**
Expected credit loss rate		**0.81%**	**1.73%**	**39.50%**	**100%**
Estimated total gross carrying amount at default	**8,929,412**	**829,017**	**261,174**	**171,091**	**7,668,130**
Expected credit loss	**7,746,949**	**6,717**	**4,515**	**67,587**	**7,668,130**

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	Trade receivables				
		Days past due			
31 December 2019	*Total*	*< 90 days*	*90–180 days*	*180– 365 days*	*> 365 days*
	KD	KD	KD	KD	KD
Expected credit loss rate		3.21%	8.11%	12.57%	94.22%
Estimated total gross carrying amount at default	8,191,996	743,176	328,427	543,784	6,576,609
Expected credit loss	6,315,435	23,858	26,651	68,334	6,196,592

Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

26.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis. The Group's credit sales require amounts to be paid within 60 days of the date of invoice and trade payables are normally settled within 60 to 90 days from the date of purchase.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

	Within 3 months	***3 to 12 months***	***1 to 5 years***	***Total***
	KD	***KD***	***KD***	***KD***
31 December 2020				
Bank overdrafts	**248,711**	**-**	**-**	**248,711**
Notes payable	**-**	**57,841**	**-**	**57,841**
Other liabilities	**3,046,991**	**4,109,414**	**919,369**	**8,075,774**
Lease liabilities	**116,625**	**477,641**	**4,383,046**	**4,977,312**
	3,412,327	**4,644,896**	**5,302,415**	**13,359,638**

	Within 3 months	*3 to 12 months*	*1 to 5 years*	*Total*
	KD	*KD*	*KD*	*KD*
31 December 2019				
Wakala payable	21,089,883	-	-	21,089,883
Bank overdrafts	107,671	-	-	107,671
Notes payable	-	173,777	-	173,777
Other liabilities	1,451,271	1,101,137	882,351	3,434,759
Lease liabilities	116,625	372,671	4,706,931	5,196,227
	22,765,450	1,647,585	5,589,282	30,002,317

26.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include deposits and debt and equity investments.

a) Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on financial assets and (liabilities) at the reporting date:

	2020 Equivalent	*2019 Equivalent*
Currency	***KD***	*KD*
US Dollar (USD)	**166,506**	814,763
Qatari Riyal (QAR)	**-**	(21,089,883)
United Arab Emirates Dirham (AED)	**-**	6,145,711
Egyptian pound (EGP)	**1,859,057**	1,861,861
Saudi riyal (SAR)	**-**	573,193

Foreign exchange rate sensitivity

The following table demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit/loss due to changes in the fair value of monetary assets and liabilities is as follows:

		2020		2019	
	Change in exchange rate	***Effect on profit***	***Effect on equity***	*Effect on profit*	*Effect on equity*
Currency		***KD***	***KD***	*KD*	*KD*
USD	**5%**	**7,996**	**330**	40,310	428
QAR	**5%**	**-**	**-**	1,054,494	-
AED	**5%**	**-**	**-**	88,533	218,753
EGP	**5%**	**77,009**	**15,944**	79,387	13,706
SAR	**5%**	**-**	**-**	-	28,660

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

An equivalent increase/decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

b) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group's exposure to the risk of changes in market profit rates relates primarily to the Group's short-term debt obligations with floating profit rates.

The Group manages its profit rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Further, the Group's policy is to manage its profit cost by availing competitive credit facilities from local financial institutions and constantly monitoring profit rate fluctuations.

Exposure to profit rate risk

The profit rate profile of the Group's profitbearing financial instruments as reported to the management of the Group is as follows.

	2020 KD	2019 KD
Variable-rate instruments		
Financial assets	**1,360,488**	1,843,722
Financial liabilities	**(291,955)**	(268,046)
	1,068,533	1,575,676

Profit rate sensitivity

A reasonably possible change of 50 basis points in profit rates at the reporting date would have resulted in a decrease in profit for the year by KD 5,343 (2019: KD 7,878). This analysis assumes that all other variables, remain constant.

c) Equity rate risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) (Note 8). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 1,717,332 (2019: KD 4,825,423). Sensitivity analyses of these investments have been provided in Note 29.1.

The Group's listed equity investments are publicly traded and are included either in the Kuwait Stock Exchange ("Boursa Kuwait") or other GCC markets.

The table below summarises the impact of increases/decreases of the respective price indices in the relevant market on the Group's equity and profit for the year. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

At the reporting date, the Group's exposure to listed equity investments at fair value are listed on either Boursa Kuwait or other GCC markets. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the respective market index, the Group determined that for such investments classified at FVOCI, a 5% increase in the respective market index would have increased equity by KD 148,476 (2019: an increase of KD 517,800). For such investments classified as at FVTPL, the impact of a 5% increase in the at the reporting date on profit or loss would have been an increase of KD 14,903 (2019: KD 93,287).

An equal change in the opposite direction would have would have resulted in an equivalent but opposite impact on profit or equity.

27. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

	31 December 2020		
	Within 12 months	*After 12 months*	*Total*
	KD	*KD*	*KD*
ASSETS			
Cash and cash equivalents	**2,556,345**	**-**	**2,556,345**
Term deposits	**11,000**	**1,349,488**	**1,360,488**
Accounts receivable and other assets	**2,150,956**	**-**	**2,150,956**
Inventories	**534,329**	**-**	**534,329**
Investment securities	**298,066**	**2,969,518**	**3,267,584**
Investment in associates	**-**	**3,666,893**	**3,666,893**
Goodwill and other intangible assets	**-**	**4,622**	**4,622**
Investment properties	**-**	**17,937,478**	**17,937,478**
Property, plant and equipment	**-**	**9,041,317**	**9,041,317**
Total assets	**5,550,696**	**34,969,316**	**40,520,012**
LIABILITIES			
Bank overdrafts	**236,868**	**-**	**236,868**
Notes payable	**55,087**	-	**55,087**
Other liabilities	**7,156,406**	**919,368**	**8,075,774**
Lease liabilities	**290,908**	**3,284,784**	**3,575,692**
Total liabilities	**7,739,269**	**4,204,152**	**11,943,421**
Net	**(2,188,573)**	**30,765,164**	**28,576,591**

	31 December 2019		
	Within 12 months	*After 12 months*	*Total*
	KD	KD	KD
ASSETS			
Cash and cash equivalents	3,527,504	-	3,527,504
Term deposits	511,000	1,332,722	1,843,722
Accounts receivable and other assets	4,572,571	-	4,572,571
Inventories	1,142,247	-	1,142,247
Investment securities	1,865,733	10,355,997	12,221,730
Investment in associates	-	4,618,614	4,618,614
Goodwill and other intangible assets	-	1,285,140	1,285,140
Investment properties	-	16,179,711	16,179,711
Property, plant and equipment	-	12,157,602	12,157,602
Total assets	11,619,055	45,929,786	57,548,841
LIABILITIES			
Wakala payable	21,089,883	-	21,089,883
Bank overdrafts	102,544	-	102,544
Notes payable	165,502	-	165,502
Other liabilities	2,552,409	882,350	3,434,759
Lease liabilities	290,585	3,552,984	3,843,569
Total liabilities	24,200,923	4,435,334	28,636,257
Net	(12,581,868)	41,494,452	28,912,584

28. CAPITAL MANAGEMENT

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade payables, bank overdrafts and notes payable, less cash and short-term deposits. Capital represents total equity attributable to equity holders of the Parent Company.

	2020	2019
	KD	KD
Wakala payable	**-**	21,089,883
Bank overdrafts	**236,868**	102,544
Notes payable	**55,087**	165,502
Trade payables	**2,128,225**	1,341,148
Less: Cash and cash equivalents	**(2,556,345)**	(3,527,504)
Less: Term deposits	**(1,360,488)**	(1,843,722)
Net (assets) debt	**(1,496,653)**	17,327,851
Equity attributable to shareholders of the Parent Company	**22,389,234**	20,621,049
Gearing ratio	**-**	78%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

29. FAIR VALUE MEASUREMENT

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 Group's senior management determines the policies and procedures for recurring fair value measurement, such as investment properties and unquoted equity investments.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the senior management Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The Group measures financial instruments such as investment in equity securities and non-financial assets such as investment properties, at fair value at each reporting date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed below.

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	2020 **KD**	2019 KD
Financial instruments		
Investment securities (at fair value)		
Quoted equity securities	**1,550,252**	7,396,307
Unquoted equity securities	**1,717,332**	4,825,423
	3,267,584	12,221,730
Non-financial assets		
Investment properties	**17,937,478**	16,179,711

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and bank balances
- Term deposits
- Accounts receivables and other assets
- Bank overdrafts
- Notes payable
- Other liabilities
- Lease liabilities

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities

Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for the majority of these positions. The Group determines and calculates an appropriate trading multiple based on related industry average. The trading multiple is then discounted for considerations such as illiquidity and based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding asset and earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Investment properties

The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 'Fair Value Measurement' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment properties are classified as either level 2 or level 3.

29.1 Financial instruments

Fair value hierarchy

The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

		Fair value measurement using	
		Quoted prices in active markets	***Significant unobservable inputs***
	Total	***(Level 1)***	***(Level 3)***
31 December 2020	***KD***	***KD***	***KD***
Financial assets at FVTPL:			
Quoted equity securities	**286,554**	**286,554**	**-**
Unquoted equity securities	**11,512**	**-**	**11,512**
	298,066	**286,554**	**11,512**
Financial assets at FVOCI			
Quoted equity securities	**1,263,698**	**1,263,698**	**-**
Unquoted equity securities	**1,705,820**	**-**	**1,705,820**
	2,969,518	**1,263,698**	**1,705,820**
Investment securities (at fair value)	**3,267,584**	**1,550,252**	**1,717,332**
31 December 2019			
Financial assets at FVTPL:			
Quoted equity securities	1,757,542	1,757,542	-
Unquoted equity securities	108,191	-	108,191
	1,865,733	1,757,542	108,191
Financial assets at FVOCI			
Quoted equity securities	5,638,765	5,638,765	-
Unquoted equity securities	4,717,232	-	4,717,232
	10,355,997	5,638,765	4,717,232
Investment securities (at fair value)	12,221,730	7,396,307	4,825,423

There were no transfers between any levels of the fair value hierarchy during 2020 or 2019.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

31 December 2020	***Financial assets at FVOCI***	***Financial assets at FVTPL***	***Total***
	KD	***KD***	***KD***
As at 1 January 2020	**4,717,232**	**108,191**	**4,825,423**
Additions	**5,376**	**-**	**5,376**
Disposals	**(1,402,238)**	**-**	**(1,402,238)**
Remeasurement recognised in OCI	**(1,614,550)**	**-**	**(1,614,550)**
Remeasurement recognised in profit or loss	**-**	**(96,679)**	**(96,679)**
As at 31 December 2020	**1,705,820**	**11,512**	**1,717,332**

31 December 2019	*Financial assets at FVOCI*	*Financial assets at FVTPL*	*Total*
	KD	*KD*	*KD*
As at 1 January 2019	6,127,783	21,350	6,149,133
Remeasurement recognised in OCI	(1,410,551)	-	(1,410,551)
Remeasurement recognised in profit or loss	-	86,841	86,841
As at 31 December 2019	4,717,232	108,191	4,825,423

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are as shown below:

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	**(15% - 40%)**	10% (2019: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 163,778 (2019: KD 441,936)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

29.2 Non-financial assets

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

		Fair value measurement using		
		Quoted prices in active markets	***Significant observable inputs***	***Significant unobservable inputs***
	Total	***(Level 1)***	***(Level 2)***	***(Level 3)***
	KD	***KD***	***KD***	***KD***
31 December 2020				
Investment properties	17,937,478	-	6,780,149	11,157,329
31 December 2019				
Investment properties	16,179,711	-	3,989,009	12,190,702

There were no transfers between any levels of the fair value hierarchy during 2020 or 2019.

Reconciliation of Level 3 fair values

Reconciliation for recurring fair value measurement of investment properties categorised within Level 2 and 3 of the fair value hierarchy is disclosed in Note 11.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy are the yield rate (income capitalisation approach) and price per sqm (market approach).

Sensitivity analysis

Significant increases (decreases) in estimated price per square metre, rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

30. COMMITMENTS AND CONTINGENCIES

Contingent liabilities

	2020	2019
	KD	KD
Letters of guarantee *	**225,976**	311,466
Letter of credit	**-**	167,816

* The Group has provided bank guarantees and letters of credit in the ordinary course of business. No material liabilities are expected to arise.

Capital commitments

As at 31 December 2020, the Group had ongoing construction contracts with third parties and is consequently committed to future capital expenditure in respect of property, plant and equipment of KD 1,118,800 (2019: KD 1,407,717).

31 IMPACT OF COVID-19 OUTBREAK

The COVID-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The measures to slow the spread of COVID-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The Covid-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home , reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

As a result, the Group considered the impact of COVID-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of Covid-19 resulted in the application of further judgement within those areas.

Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

Trade, lease and other receivables

The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL").). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Impairment of non-financial assets

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Fair value measurement of investment properties

The market disruption caused by the COVID-19 pandemic resulted in a reduction in transactional evidence and market yields, and accordingly, there is an increased risk that the price realised in an actual transaction would differ from the value conclusion arrived by the valuers.

The highly uncertain economic outlook for the period may have a material adverse effect on the tenants' operations, the viability of their business and their ability to meet their rental obligations. This uncertainty is factored into the valuation of investment property, specifically in estimating rent payments from existing tenants, the void periods, occupancy rates, expected market rental growth rates and the discount rate, all of which are significant inputs into the fair value determination. As a result of this increased uncertainty, the assumptions may be revised significantly in 2021.

Government assistance

In an attempt to mitigate the impact of the COVID-19 pandemic, the Government of Kuwait has introduced measures to aid private entities in response to the pandemic. These measures include government assistance made towards national workforce in the private sector for a period of up to six months effective from April 2020.

During the current year, the Group received an aggregate amount of KD 57,482. The financial support is accounted for in accordance with IAS 20 ***'Accounting for Government Grants and Disclosures of Government Assistance'*** and recognised in profit or loss as a deduction to 'staff costs' on a systematic basis on a systematic basis over the periods in which the Group recognises expenses for the related staff costs. There is no outstanding balance of deferred income or receivable related to this grant as at 31 December 2020.

Going concern assessment

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the period. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been prepared on a going concern basis.