KUWAIT HOTELS COMPANY K.S.C.P.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

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.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Expected credit losses (ECL) for trade receivables

As at 31 December 2020, trade receivables amounted to KD 873,823 representing 14% of total assets of the Group.

The Group determines the expected credit losses on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics and days past due.

Due to the significance of trade receivables and the complexity involved in the ECL calculation, this was considered as a key audit matter.

Our audit procedures included, among others, the following:

- We assessed the reasonableness of the assumptions used in the ECL calculation by comparing them with historical data adjusted for current market conditions and forward-looking information in view of the ongoing Covid-19 pandemic;

- We performed substantive procedures to test, on a sample basis, the completeness and accuracy of the information included in the debtors' ageing report;

- Further, in order to evaluate the appropriateness of management judgements, we verified on a sample basis, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures.; and

- We also considered the adequacy of the Group's disclosures relating to the ECL, management's assessment of the credit risk and their responses to such risks in Note 24 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

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

Other information included in the Group's 2020 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT HOTELS COMPANY K.S.C.P. (continued)

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

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 as amended, and its executive regulations as amended or by the Parent Company's Memorandum of Incorporation and Articles of Association, 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, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations 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

29 March 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	*2020 KD*	*2019 KD*
Revenue from contracts with customers	4	3,990,340	5,534,906
Management fees		281,155	767,128
Net rental income	6	498,787	461,883
Revenue		4,770,282	6,763,917
Cost of sales	5	(3,703,210)	(5,297,890)
GROSS PROFIT		1,067,072	1,466,027
Administrative expenses	7	(976,518)	(1,355,044)
Selling and distribution expenses		(164,392)	(650,444)
Operating loss		(73,838)	(539,461)
Other expenses	8	(44,695)	(435,283)
Share of result of associates		39,850	(1,390)
LOSS BEFORE TAX		(78,683)	(976,134)
Income tax on overseas operations		-	(8,902)
LOSS FOR THE YEAR		(78,683)	(985,036)
Attributable to:			
Equity holders of the Parent Company		(76,990)	(984,132)
Non-controlling interests		(1,693)	(904)
		(78,683)	(985,036)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	9	(1.36) fils	(17.44) fils

The attached notes 1 to 27 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 *KD*	*2019* *KD*
LOSS FOR THE YEAR	**(78,683)**	(985,036)
Other comprehensive income		
Other comprehensive income that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	**851**	9,631
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**851**	9,631
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments designated at fair value through other comprehensive income	**(28,870)**	(13,290)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(28,870)**	(13,290)
Other comprehensive loss for the year	**(28,019)**	(3,659)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(106,702)**	(988,695)
Attributable to:		
Equity holders of the Parent Company	**(105,009)**	(987,791)
Non-controlling interests	**(1,693)**	(904)
	(106,702)	(988,695)

The attached notes 1 to 27 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	*2020 KD*	*2019 KD*
ASSETS			
Non-current assets			
Property and equipment	10	**2,585,969**	3,040,205
Right-of-use asset	11	**-**	500,693
Intangible assets	12	**-**	13,711
Investment in associates		**168,988**	128,056
Investment securities	13	**8,075**	36,945
		2,763,032	3,719,610
Current assets			
Inventories		**11,053**	108,139
Accounts receivable and prepayments	14	**1,335,782**	2,089,295
Investment securities	13	**56,171**	38,900
Cash and cash equivalents	15	**2,249,815**	1,463,565
		3,652,821	3,699,899
TOTAL ASSETS		**6,415,853**	7,419,509
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**5,775,000**	5,775,000
Statutory reserve	17	**716,137**	716,137
Voluntary reserve	17	**313,431**	313,431
Treasury shares	18	**(223,952)**	(223,952)
Fair value reserve	17	**(125,982)**	(97,112)
Foreign currency translation reserve	17	**(372,975)**	(373,826)
Other reserve	17	**(513,600)**	(513,600)
Accumulated losses		**(1,663,565)**	(1,586,575)
Equity attributable to equity holders of the Parent Company		**3,904,494**	4,009,503
Non-controlling interests		**(22)**	1,671
Total equity		**3,904,472**	4,011,174
Non-current liabilities			
Employees' end of service benefits	19	**779,971**	908,769
Lease liabilities	11	**-**	397,351
		779,971	1,306,120
Current liabilities			
Trade and other payables	20	**1,731,410**	1,987,882
Lease liabilities	11	**-**	114,333
		1,731,410	2,102,215
Total liabilities		**2,511,381**	3,408,335
TOTAL EQUITY AND LIABILITIES		**6,415,853**	7,419,509

Ahmad Yousef Al-Kandari
Chairman

The attached notes 1 to 27 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company										
	Share capital KD	***Statutory reserve KD***	***Voluntary reserve KD***	***Treasury shares KD***	***Fair value reserve KD***	***Foreign currency translation reserve KD***	***Other reserve KD***	***Accumulated losses KD***	***Sub-total KD***	***Non-controlling interests KD***	***Total equity KD***
As at 1 January 2020	**5,775,000**	**716,137**	**313,431**	**(223,952)**	**(97,112)**	**(373,826)**	**(513,600)**	**(1,586,575)**	**4,009,503**	**1,671**	**4,011,174**
Loss for the year	-	-	-	-	-	-	-	(76,990)	(76,990)	(1,693)	(78,683)
Other comprehensive (loss) income	-	-	-	-	(28,870)	851	-	-	(28,019)	-	(28,019)
Total comprehensive (loss) income	-	-	-	-	(28,870)	851	-	(76,990)	(105,009)	(1,693)	(106,702)
At 31 December 2020	**5,775,000**	**716,137**	**313,431**	**(223,952)**	**(125,982)**	**(372,975)**	**(513,600)**	**(1,663,565)**	**3,904,494**	**(22)**	**3,904,472**
As at 1 January 2019	5,775,000	716,137	313,431	(223,952)	(83,822)	(383,457)	(513,600)	(602,443)	4,997,294	2,575	4,999,869
Loss for the year	-	-	-	-	-	-	-	(984,132)	(984,132)	(904)	(985,036)
Other comprehensive (loss) income	-	-	-	-	(13,290)	9,631	-	-	(3,659)	-	(3,659)
Total comprehensive (loss) income for the year	-	-	-	-	(13,290)	9,631	-	(984,132)	(987,791)	(904)	(988,695)
At 31 December 2019	5,775,000	716,137	313,431	(223,952)	(97,112)	(373,826)	(513,600)	(1,586,575)	4,009,503	1,671	4,011,174

The attached notes 1 to 27 form part of this consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
OPERATING ACTIVITIES			
Loss before tax		(78,683)	(976,134)
Adjustments to reconcile loss for the year to net cash flows:			
Depreciation of property and equipment	10	405,308	449,460
Depreciation of right-of-use asset	11	19,088	264,725
Amortisation of intangible assets	12	2,057	1,523
Loss / (gain) on disposal of items of property and equipment		45,675	(186,752)
Gain on derecognition of right-of-use assets and lease liabilities	11	(11,448)	-
Write-off of intangible assets	12	11,654	-
Loss on derecognition of key money	12	-	310,300
Provision for employees' end of service benefits	19	137,148	195,797
Allowance for expected credit losses on trade receivables	14	151,586	37,588
Provision for obsolete and slow-moving inventories		40,238	89,826
Impairment of key money	12	-	242,499
Interest income	8	(19,949)	(15,677)
Unrealised (gain)/loss on equity instruments designated at fair value through profit or loss		(17,271)	32,500
Interest on lease liabilities	11	3,923	49,698
Interest on debts and borrowings		2,918	7,058
Share of result of associates		(39,850)	1,390
Government grant	8	(63,469)	-
		588,925	503,801
Working capital adjustments:			
Inventories		56,848	56,989
Accounts receivable and prepayments		601,927	(248,006)
Trade and other payables		(256,262)	(117,872)
Cash flows from operations		991,438	194,912
Employees' end of service benefits paid	19	(265,946)	(77,766)
Receipt of government grants	8	63,469	-
Net cash flows from operating activities		788,961	117,146
INVESTING ACTIVITIES			
Purchase of items of property and equipment	10	(22,147)	(210,199)
Purchase of intangible asset	12	-	(15,234)
Proceeds from disposal of items of property and equipment		25,400	475,606
Proceeds from disposal of leasehold rights		-	314,000
Proceeds from disposal of key money		-	194,078
Payment towards purchase of investments in an associate		-	(105,000)
Interest income received		19,949	15,677
Net movement in short-term deposits		(1,756)	(33,822)
Net cash flows from investing activities		21,446	635,106
FINANCING ACTIVITIES			
Finance costs paid		(2,918)	(7,058)
Payment of principal portion of lease liabilities		(22,554)	(303,432)
Net cash flows used in financing activities		(25,472)	(310,490)
NET INCREASE IN CASH AND CASH EQUIVALENTS		784,935	441,762
Net foreign exchange differences		(441)	11,339
Cash and cash equivalents at 1 January		1,429,743	976,642
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	2,214,237	1,429,743

The attached notes 1 to 27 form part of this consolidated financial statements.

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Kuwait Hotels Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors 29 March 2021 and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 31 May 2020 approved the consolidated financial statements for the year ended 31 December 2019. No dividends were declared by the Parent Company for the year then ended.

The Parent Company is a public shareholding company incorporated and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The registered office is located at P. O. Box 833, Safat 13009, Kuwait.

The principal activities of the Parent Company is owning, operating and managing hotel, commercial and residential properties, catering services, importing of consumer durables, machinery and equipment and investment in similar business in or outside Kuwait.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 23.

1.2 GROUP INFORMATION

a) Subsidiaries
The consolidated financial statements of the Group include:

Name	*Country of incorporation*	*% equity interest 2020*	*% equity interest 2019*	**Principal activities**
Directly held:				
Kuwait Catering Company K.S.C. (Closed) ("KCC")	Kuwait	99.54%	99.54%	Catering services
Safat Catering Services Company K.S.C. (Closed) ("SCC")	Kuwait	99%	99%	Catering services and manpower supply
Safir International Hotel Management Company E.C. ("SIHM")	Kingdom of Bahrain	99.9%	99.9%	Hotel management
Safir International Hotel and Resort Management L.L.C ("SIHRM Dubai")	United Arab Emirates	100%	100%	Hotel contract management
Indirectly held:				
Safir Support Services Company K.S.C. (Closed) *(Indirectly held through KCC)*	Kuwait	99.7%	99.7%	Manpower supply
Ramo Trading Company W.L.L. *(Indirectly held through SCC)*	Kuwait	99.9%	99.9%	Pastry and bakery manufacturing and trading

b) Associates
Set out below are the associates of the Group as at 31 December:

Name	*Country of incorporation*	*% equity interest 2020*	*% equity interest 2019*	**Principal activities**
Abu Nawas for Tourism and Services	Tunisia	50%	50%	Travel and tourism related services.
Caf Café Company W.L.L.	Kuwait	50%	50%	Catering services

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for investment securities that 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 consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements provide comparative information in respect of the previous period. Certain comparative information has been reclassified and re-presented to conform to the classification in the current period. Such reclassification has been made to improve the quality of information presented.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020. 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 results 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 arrangements 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 other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 interests 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 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 statement of the Group, but may impact future periods should the Group enter into any business combinations.

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 statement of the Group, 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 statement 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 statement of the Group.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

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.

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

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

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 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 by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES

2.5.1 Business combinations and acquisition of non-controlling interests
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 acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree'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 acquiree.

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.

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

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

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income (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 consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Investment in associates (continued)

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

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

2.5.3 Revenue recognition

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

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

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 equipment. 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, non-cash consideration and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group has no contracts with a right of return and volume rebates.

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good to the customer and when the customer pays for that good will be one year or less. The Group does not receive any long-term advances from customers.

Management fees

The Group receives fees for providing specific administrative tasks in relation to certain properties under management. These services include formulating marketing strategy, training programmes, feasibility studies and managing hotel. These services represent a single performance obligation comprised of a series of distinct daily services that are substantially the same and have the same pattern of transfer over the contract period. As the benefit to the customer of the services is transferred evenly over the contract period, these fees are recognised as revenue evenly over the period, based on time elapsed.

Revenue from rendering of services

Revenue from rendering services is recognised when the performance obligation is satisfied over-time and payment is generally due upon completion of the services and acceptance of the customer. In some contracts, advances are required before the service are rendered

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.3 Revenue recognition (continued)

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of the leased property.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease term 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 recognised as an expense over the lease term on the same basis as the lease income.

2.5.4 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.

2.5.5 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.

National Labour Support Tax

NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

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.

Taxation on overseas subsidiary

Income tax on overseas subsidiary represents tax for operations in Egypt and is calculated in accordance with the applicable tax law of these countries.

Income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date in the countries where the Group operates and generates taxable income.

2.5.6 Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the Companies Law, a distribution is authorised when it is approved by the shareholders at the AGM. A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.7 Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, non-restricted cash at banks and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, non-restricted cash at banks and short-term deposits, as defined above, as they are considered an integral part of the Group's cash management.

2.5.8 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 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.

The Group's financial assets at amortised cost includes trade and other receivables.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

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.

The Group has no debt instruments at fair value through OCI as at the reporting date.

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.

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.

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. Dividends on equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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. 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 receivables and contract assets, 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.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

All financial liabilities are recognised initially at fair value and, in the case of accounts payable, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

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

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost
This is the category most relevant to the Group. After initial recognition, interest-bearing loans and 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.

Trade and other payables
Trade and other payables are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an exising financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

2.5.9 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged in equity. When the treasury shares are reissued, gains are credited to a separate account in equity (the "treasury shares reserve"), which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance in that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. 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 paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.5.10 Employees' end of service benefits
The Group provides end of service benefits to all its employees under the Kuwait Labour Law. 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. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

2.5.11 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss net of any reimbursement.

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.

2.5.12 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.12 Foreign currencies (continued)

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.

On consolidation, the assets and liabilities of foreign operations are translated 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 to 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.

2.5.13 Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings on leasehold land	10 to 25 years
Machinery, equipment and furniture	3 to 15 years
Leasehold improvements and decorations	4 to 10 years
Motor vehicles	3 to 8 years

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repairs and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal 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 consolidated statement of profit or loss when the asset is derecognised.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.14 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 to be 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.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset 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 upon 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.

Franchise right is amortised over a period of ten years.

The Group made payments to incumbent tenants to take over operating leases of prime locations. The leases may be renewed at little or no cost to the Group. As a result, key money is assessed as having an indefinite useful life. Key money is carried at cost without amortisation but is tested for impairment. Refer to the accounting policy on impairment of non-financial assets.

2.5.15 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on weighted average basis
- Finished goods: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

2.5.16 Impairment of non-financial 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.16 Impairment of non-financial assets (continued)
The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

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

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

2.5.18 Segment Information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers, distribution methods and nature of regulatory environment where appropriate are aggregated and reported as reportable segments.

2.5.19 Current versus non-current classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.5.20 Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.20 Fair value measurement (continued)
The principal or the most advantageous market must be accessible to by the Group.

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

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

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

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

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

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing 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.

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

2.5.21 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the Chief Operating decision maker.

Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.5.22 Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.23 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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.

- *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 re-measurement 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term of assets.

Right-of-use assets are subject to impairment. Refer to the accounting policies in section 2.5.16 *Impairment of non-financial assets.*

- *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 a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *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 in conformity with IFRS 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 assets and 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 Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in 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. Refer Note 2.5.7 classification of financial assets for more information.

Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

Going concern

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

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 described 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 beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade and other receivables

The Group assesses, on a forward-looking basis, the ECLs associated with its debt instruments carried at amortised cost. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

For trade receivables, 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.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	For the year ended 31 December 2020		
	Catering KD	*Bakery products KD*	*Total KD*
Type of goods or service			
Revenue from rendering of services	**3,830,489**	**-**	**3,830,489**
Sale of goods	**-**	**159,851**	**159,851**
	3,830,489	**159,851**	**3,990,340**
Geographical markets			
Kuwait	**3,830,489**	**159,851**	**3,990,340**
Timing of revenue recognition			
Goods transferred at a point in time	**-**	**159,851**	**159,851**
Services transferred over time	**3,830,489**	**-**	**3,830,489**
	3,830,489	**159,851**	**3,990,340**

	For the year ended 31 December 2019		
	Catering KD	*Bakery products KD*	*Total KD*
Type of goods or service			
Revenue from rendering of services	4,697,948	-	4,697,948
Sale of goods	-	836,958	836,958
	4,697,948	836,958	5,534,906
Geographical markets			
Kuwait	4,697,948	836,958	5,534,906
Timing of revenue recognition			
Goods transferred at a point in time	-	836,958	836,958
Services transferred over time	4,697,948	-	4,697,948
	4,697,948	836,958	5,534,906

5 COST OF SALES

	2020 KD	2019 KD
Cost of inventories recognised as an expense	555,811	1,221,800
Staff costs	2,829,937	3,506,390
Depreciation expense (Note 10)	122,332	166,720
Other direct costs	195,130	402,980
	3,703,210	5,297,890

6 NET RENTAL INCOME

	2020 KD	2019 KD
Rental income	1,009,417	983,690
Rental expenses	(258,643)	(269,854)
Other property operating expenses	(251,987)	(251,953)
	498,787	461,883

This mainly represents rent derived from a leasehold property in the State of Kuwait, namely Al Dubaiya resort, currently utilised by the Group based on an agreement with the Ministry of Finance (MOF), which has legally expired on 22 April 2012 and for which the Parent Company applied for an extension and no final decision is reached by MOF at the authorisation date of these consolidated financial statements. Management believes that the Group is substantially exposed to all the risk and rewards associated with the ownership of the right. Accordingly, rent income derived from the leasehold property is recognised in the consolidated statement of profit or loss.

7 ADMINISTRATIVE EXPENSES

	2020 KD	2019 KD
Staff costs	413,203	573,604
Depreciation expense	212,321	209,938
Professional charges	108,917	211,804
Expense relating to short-term leases	30,197	88,312
Other general and administrative expenses	211,880	271,386
	976,518	1,355,044

8 OTHER EXPENSES

	2020 *KD*	*2019* *KD*
(Loss) gain on disposal of property and equipment	**(45,224)**	186,752
Loss on derecognition of key money	**-**	(310,300)
Impairment of key money	**-**	(242,499)
Unrealised gain (loss) on equity instruments designated at fair value through profit or loss	**17,271**	(32,500)
Write-off of intangible assets	**(11,654)**	-
Provision for slow moving and obsolete inventories	**(40,238)**	(89,826)
Allowance for expected credit losses	**(151,586)**	(37,588)
Gain on derecognition of right-of-use assets and lease liabilities	**11,448**	-
Interest income	**19,949**	15,677
Chalet transfer charges	**56,000**	12,000
Government grants *	**63,469**	-
Net foreign exchange gain	**15,670**	-
Write back of liabilities	**-**	24,569
Other miscellaneous income	**20,200**	38,432
	(44,695)	(435,283)

* ***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.

The financial support amounting to KD 63,469 (2019: Nil) is accounted for in accordance with IAS 20 *'Accounting for Government Grants and Disclosures of Government Assistance'* and recognised in profit or loss as 'other income' on a systematic basis over the periods in which the Group recognises expenses for the related staff costs.

9 EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is calculated by dividing the loss attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted loss per share are identical.

	2020	*2019*
Loss for the year attributable to equity holders of the Parent Company (KD)	**(76,990)**	(984,132)
Weighted average number of shares outstanding (shares) *	**56,433,300**	56,433,300
Basic and diluted EPS (fils)	**(1.36)**	(17.44)

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

10 PROPERTY AND EQUIPMENT

	Building on leasehold land *KD*	*Machinery, equipment and furniture* *KD*	*Leasehold improvements and decorations* *KD*	*Motor vehicles* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:						
At 1 January 2019	4,257,017	7,535,613	1,110,095	952,907	63,355	13,918,987
Additions	-	117,595	67,404	25,200	-	210,199
Transfers	-	63,355	-	-	(63,355)	-
Disposals	(430,309)	(5,758,557)	(269,166)	(475,854)	-	(6,933,886)
At 31 December 2019	3,826,708	1,958,006	908,333	502,253	-	7,195,300
Additions	5,720	12,991	2,936	500	-	22,147
Disposals	-	(187,468)	(154,674)	(112,454)	-	(454,596)
At 31 December 2020	**3,832,428**	**1,783,529**	**756,595**	**390,299**	**-**	**6,762,851**
Depreciation:						
At 1 January 2019	1,458,912	7,075,520	973,008	843,227	-	10,350,667
Depreciation charge for the year	162,468	146,601	57,493	82,898	-	449,460
Disposals	(267,763)	(5,590,023)	(285,378)	(501,868)	-	(6,645,032)
At 31 December 2019	1,353,617	1,632,098	745,123	424,257	-	4,155,095
Depreciation charge for the year	153,008	147,376	57,501	47,423	-	405,308
Disposals	-	(189,036)	(82,033)	(112,452)	-	(383,521)
At 31 December 2020	**1,506,625**	**1,590,438**	**720,591**	**359,228**	**-**	**4,176,882**
Net book value:						
At 31 December 2020	**2,325,803**	**193,091**	**36,004**	**31,071**	**-**	**2,585,969**
At 31 December 2019	2,473,091	325,908	163,210	77,996	-	3,040,205

10 PROPERTY AND EQUIPMENT (continued)

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

	2020 *KD*	*2019* *KD*
Cost of sales	**122,332**	166,720
Administrative expenses	**212,321**	209,938
Net rental income	**62,072**	53,464
Selling and distribution expenses	**8,583**	19,338
	405,308	449,460

Disposals of property and equipment
In 2020, the Group disposed items of property and equipment with a total net carrying amount of KD 71,075 (2019: KD 288,854) for a cash consideration of KD 25,400 (2019: KD 475,606). The net losses on these disposals amounting to KD 45,675 (2019: gains of KD 186,752) were recognised as part of other income (expenses) in the statement of profit or loss

Fair value disclosure of building on leasehold land
The Group complies with the real estate valuation procedures set out in Module 11 "Dealing in Securities" of the CMA Executive Bylaws, which require valuations of local real estate properties classified as plant, property and equipment to be determined by at least two independent, registered and accredited real estate appraised provided that one of them is a local bank and that the lower value is taken into account.

The fair value of the building on leasehold land as at 31 December 2020 is determined based on valuations carried out by the respective appraisers using the market comparison approach amounted to KD 2,401,000 (2019: KD 2,461,000).

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value on a linear basis.

11 LEASES

The Group has lease contracts for various items of property (i.e retail outlets and office premises) used in its operations, which generally have lease terms between five and ten years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of property and vehicles with lease terms of 12 months or less. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020 *KD*	*2019* *KD*
As at 1 January	**500,693**	1,508,691
Depreciation expense	**(19,088)**	(264,725)
Disposals	**-**	(743,273)
Derecognition of right-of-use assets *	**(481,605)**	-
As at 31 December	**-**	500,693

11 **LEASES (continued)**

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

	2020 *KD*	*2019* *KD*
As at 1 January	**511,684**	1,508,691
Accretion of interest	**3,923**	49,698
Payments	**(22,554)**	(303,432)
Disposals	**-**	(743,273)
Derecognition of lease liabilities*	**(493,053)**	-
As at 31 December	**-**	511,684
Non-current	-	397,351
Current	-	114,333

The maturity analysis of lease liabilities is disclosed in Note 24.2.

* During the current year, the management has taken a decision to cease the bakery operations in a subsidiary and vacate all leased premises related to the core operations. As a result, the Group derecognised the right-of-use assets and corresponding lease liabilities. The resultant gain on derecognition recognised in profit or loss amounted to KD 11,448 as part of other income (Note 8).

The following are the amounts recognised in consolidated statement of profit or loss:

	2020 *KD*	*2019* *KD*
Depreciation expense of right-of-use assets	**19,088**	264,725
Interest expense on lease liabilities	**3,923**	49,698
Expense relating to short-term leases	**740,010**	810,613
Gain on derecognition of lease liabilities and right-of-use assets	**11,448**	-
Total amount recognised in consolidated statement of profit or loss	**774,469**	1,125,036

The Group had total cash outflows for leases of KD 762,564 (2019: KD 1,114,045). The Group also had non-cash additions to right-of-use assets and lease liabilities of Nil in 2020 (KD 1,508,691in 2019).

12 INTANGIBLE ASSETS

	Leasehold rights KD	*Key money KD*	*Franchise rights KD*	*Total KD*
At 1 January 2019	314,000	922,557	-	1,236,557
Additions	-	-	15,234	15,234
Disposals	(314,000)	(504,378)	-	(818,378)
At 31 December 2019	-	418,179	15,234	433,413
Write-off	-	(418,179)	(15,234)	(433,413)
At 31 December 2020	-	-	-	-
Amortisation and impairment:				
At 1 January 2019	-	175,680	-	175,680
Amortisation charge for the year	-	-	1,523	1,523
Impairment	-	242,499	-	242,499
At 31 December 2019	-	418,179	1,523	419,702
Amortisation charge for the year	-	-	2,057	2,057
Write-off	-	(418,179)	(3,580)	(421,759)
At 31 December 2020	-	-	-	-
Net book value				
At 31 December 2020	-	-	-	-
At 31 December 2019	-	-	13,711	13,711

Key money

Key money represents the difference between current rents and fair market rent for a similar property without the restrictions, plus an additional premium paid to incumbent tenants to obtain the site ahead of a competitor. The Group has rights to renew the lease in the future and expects to be able to recover at least the original investment from the tenant who takes over the lease when it moves out. The leases may be renewed at little or no cost to the Group. As a result, key money is assessed as having an indefinite useful life.

In 2019, the Group vacated certain locations for which key money previously paid is carried at KD 504,378 for which, a total consideration of KD 194,078 was received from the new tenants. Accordingly, a loss of KD 310,300 was recognised upon derecognition for the year then ended.

The Group performed its annual impairment test in December 2019 and considered the relationship between decreased demands on its locations and the book value, among other factors, when assessing impairment. Based on management's assessment, an impairment loss of KD 242,499 is recorded and presented separately in the consolidated statement of profit or loss for the year then ended.

13 INVESTMENT SECURITIES

	2020 KD	2019 KD
Financial assets at fair value through other comprehensive income:		
Unquoted equity securities	8,075	36,945
Financial assets at fair value profit or loss:		
Unquoted equity securities	56,171	38,900
Investment securities (at fair value)	**64,246**	75,845

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 25.

14 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2020 KD	2019 KD
Trade receivables	1,522,773	2,619,694
Less: Allowance for expected credit losses	(648,950)	(1,013,099)
	873,823	1,606,595
Prepayments and other receivables	461,959	482,700
	1,335,782	2,089,295

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

Note 24.1 includes disclosures relating to the credit risk exposures and on 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
At 1 January	1,013,099	976,661
Allowance for expected credit losses recognised in profit or loss	151,586	37,588
Receivables written off during the year as uncollectible*	(515,735)	(1,150)
	648,950	1,013,099

* Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 730 days past due.

15 CASH AND CASH EQUIVALENTS

	2020 *KD*	*2019* *KD*
Cash at banks and on hand	**610,778**	537,357
Short-term deposits	**1,639,037**	926,208
	2,249,815	1,463,565
Less:		
Short-term deposits with original maturity of more than three months	**(35,578)**	(33,822)
Cash and cash equivalents for the purpose of the statement of cash flows	**2,214,237**	1,429,743

Short-term deposits are made for varying periods between one to six months, depending on the immediate cash requirements of the Group, and earn interest at an average effective interest ranging from 1% to 1.125% (2019: 2.625% to 2.875%) per annum.

At 31 December 2020, the Group had available KD 400,000 (2019: KD 400,000) of undrawn committed borrowing facilities that may be drawn at any time and may be terminated by the bank without notice.

16 SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2020	*2019*	*2020* *KD*	*2019* *KD*
Shares of 100 fils each (paid in cash)	**57,750,000**	57,750,000	**5,775,000**	5,775,000

17 RESERVES

17.1 Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. 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. No transfer has been made during the year since the Parent Company has incurred losses.

17.2 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 before tax and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. No transfer has been made during the year since the Parent Company has incurred losses.

17.3 Fair value reserve

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

17.4 Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

17.5 Other reserve

Other reserve represents the effect of changes in ownership interests in subsidiaries without loss of control.

18 TREASURY SHARES

	2020 *KD*	*2019* *KD*
Number of shares	**1,316,700**	1,316,700
Percentage of issued shares	**2.33%**	2.33%
Cost (KD)	**223,952**	223,952
Market value (KD)	**72,419**	131,670

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

19 EMPLOYEES' END OF SERVICE BENEFITS

Set out below is the movement in the provision for employees' end of service benefits:

	2020 *KD*	*2019* *KD*
At 1 January	**908,769**	790,738
Charge for the year	**137,148**	195,797
Payments	**(265,946)**	(77,766)
	779,971	908,769

20 TRADE AND OTHER PAYABLES

	2020 *KD*	*2019* *KD*
Trade payables	**272,414**	606,732
Unearned revenue	**567,786**	522,482
Taxes payable	**6,309**	6,215
Advance from customers	**23,315**	78,208
Employee payables	**216,628**	299,980
Refundable deposits	**76,098**	44,498
Other accruals and payables	**568,860**	429,767
	1,731,410	1,987,882

Terms and conditions of the above financial liabilities are:

- Trade payables are non-interest bearing and are normally settled on 60-day terms.
- Other payables are non-interest bearing and have average term of six months

For explanation on the Group's liquidity risk management process, refer to Note 24.2

21 SEGMENT INFORMATION

For management purposes, the Group is organised into three main business segments based on internal reporting provided to the chief operating decision maker:

- **Hotel Management:** Owning, operating and managing of hotels and chalets
- **Catering and manpower supply services:** Providing catering and manpower supply services to governmental and non-governmental institutions.
- **Information technology services:** Information technology administrative support

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on return on investments.

21 SEGMENT INFORMATION (continued)

The following table presents segment revenue and results information regarding the Group's business segments:

	Hotel management		*Catering and manpower supply services*		*Information technology services*		*Total*	
	2020 KD	*2019 KD*	***2020 KD***	*2019 KD*	***2020 KD***	*2019 KD*	***2020 KD***	*2019 KD*
Revenue								
Net rental income	**498,787**	461,883	-	-	-	-	**498,787**	461,883
Revenue from contracts with customers	-	-	**3,708,690**	5,377,534	**281,650**	157,372	**3,990,340**	5,534,906
Management fees	**281,155**	767,128	-	-	-	-	**281,155**	767,128
Interest income	**19,949**	15,676	-	-	-	-	**19,949**	15,676
	799,891	1,244,687	**3,708,690**	5,377,534	**281,650**	157,372	**4,790,231**	6,779,593
Expenses								
Cost of inventories recognised as an expense	-	-	**(555,811)**	(1,386,507)	-	-	**(555,811)**	(1,386,507)
Write-off of intangible assets	-	-	**(11,654)**	-	-	-	**(11,654)**	-
Share of results of an associate	**115**	6,480	**39,735**	(7,870)	-	-	**39,850**	(1,390)
Impairment of key money	-	-	-	(242,499)	-	-	-	(242,499)
Taxes	-	(8,902)	-	-	-	-	-	(8,902)
Finance costs on debts and borrowings	-	-	**(2,918)**	(7,058)	-	-	**(2,918)**	(7,058)
Interest expense on lease liabilities	-	-	**(3,923)**	(49,698)	-	-	**(3,923)**	(49,698)
Allowance for expected credit losses	**(105,702)**	(37,588)	**(45,884)**	-	-	-	**(151,586)**	(37,588)
Provision for slow-moving and obsolete inventories	-	-	**(40,238)**	(89,826)	-	-	**(40,238)**	(89,826)
SEGMENT (LOSS) PROFIT	**(154,876)**	(53,107)	**34,091**	(960,776)	**42,102**	28,847	**(78,683)**	(985,036)
ASSETS	**4,912,322**	4,754,837	**1,482,807**	2,644,599	**20,724**	20,073	**6,415,853**	7,419,509
LIABILITIES	**1,505,859**	1,484,933	**992,037**	1,860,579	**13,485**	62,823	**2,511,381**	3,408,335
Other disclosures:								
Depreciation of property and equipment and right-of-use assets	**(250,208)**	(242,597)	**(173,917)**	(471,425)	**(272)**	(163)	**(424,397)**	(714,185)
Investment in an associate	**32,122**	30,926	**136,866**	97,130	-	-	**168,988**	128,056
Purchase of property and equipment	**7,691**	20,292	**13,657**	189,259	**799**	648	**22,147**	210,199

22 CONTINGENCIES

At the reporting date, the Group has provided bank guarantees to its customers for the performance for certain contracts of KD 1,019,700 (2019: KD 1,832,764). No material liability is expected to arise.

23 RELATED PARTY DISCLOSURES

Related parties represent associates, major shareholders, 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.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	Major shareholder KD	*Other related parties KD*	*2020 KD*	*2019 KD*
Management fees	**90,148**	-	**90,148**	256,153
Cost of sales	-	**(105,600)**	**(105,600)**	(105,600)
Administrative expenses	-	**(62,029)**	**(62,029)**	(82,415)

Certain investment in equity securities amounting to KD 63,152 (2019: KD 88,900) are managed by an entity under common control.

Key management compensation
Key management personnel comprise of the Board of Directors and key member of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2020 KD	*2019 KD*	*2020 KD*	*2019 KD*
Salaries and short-term employee benefits	**202,645**	224,989	**25,564**	40,999
End of services benefits	**16,765**	19,830	**180,420**	212,070
	219,410	244,819	**205,984**	253,069

The Board of Directors of the Parent Company has not proposed a directors' remuneration for the year ended 31 December 2020 (2019: Nil). Any such proposal is subject to the approval of the shareholders at the AGM of the Parent Company.

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk which is further sub-divided into interest rate risk, foreign currency risk and equity price risk. The Group's policy is to monitor those business risks through the Group's strategic planning process.

The Group's principal financial liabilities comprise of accounts payable and accruals. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable and cash and cash equivalents which are directly from its operations.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 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 and other receivables, and from its financing activities, including deposits with banks.

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*
Cash at banks	**724,954**	636,807
Short-term deposits	**1,508,916**	804,253
Trade receivables	**873,823**	1,606,595
Other receivables (excluding prepayments)	**304,261**	242,888
	3,411,954	3,290,543

Balances with banks and short-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 short-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 short-term deposits have low credit risk based on the external credit ratings of the counterparties.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group limits its exposure to credit risk from accounts receivables by establishing a maximum payment period of three months for individual and corporate customers respectively.

The majority of the Group's customers have been transacting with the Group for over three years, and none of these customers' balances have been written off or are credit-impaired at the reporting date. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a corporate or government entities, trading history with the Group and existence of previous financial difficulties.

At 31 December 2020, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows:

	2020 *KD*	*2019* *KD*
Individual customers	**82,546**	88,795
Corporate customers	**269,712**	617,995
Government	**521,565**	899,805
	873,823	1,606,595

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.1 Credit risk (continued)

Trade receivables (continued)
At 31 December 2020, the Group had four customers (2019: two) that owed it more than KD 50,000 each and accounted for approximately 32% (2019: 9%) of all the receivables outstanding. There were two customers (2019: three customers) with balances greater than KD 100,000 accounting for just over 41% (2019: 52%) of the total amounts of receivable. There are no guarantees against these receivables but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customers to mitigate risk.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed below. The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral.

As disclosed in Note 27, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 31 December 2020 and rates have increased in each category up to 6 months overdue.

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

		Days past due			
	Current	***<90 days***	***91-180 days***	***>180 days***	***Total***
31 December 2020	***KD***	***KD***	***KD***	***KD***	***KD***
Expected credit loss rate	-	1.40%	14.57%	75.70%	42.62%
Total gross carrying amount at default	457,670	206,043	6,947	852,073	1,522,733
Expected credit loss	-	2,883	1,012	645,055	648,950

		Days past due			
	Current	*<90 days*	*91-180 days*	*>180 days*	*Total*
31 December 2019	*KD*	*KD*	*KD*	*KD*	*KD*
Expected credit loss rate	-	10.97%	27.30%	80.99%	38.74%
Total gross carrying amount at default	972,854	424,371	43,837	1,178,632	2,619,694
Expected credit loss	-	46,554	11,968	954,577	1,013,099

Other receivables
As at the reporting date, the majority of the Group's counter-party exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

24.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also managed liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.2 Liquidity risk (continued)

The steps taken by the Group to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the consolidated financial statements include the following.

- Management has prepared a detailed cashflow analysis for the next 12 months to assess the liquidity position of the Group and identify liquidity gaps.
- Management has taken actions to reduce operating losses by ceasing operations of bakeries owned by the Group. Cost savings measure also included employee furlough together with other employee cost reductions. Further, supplier costs decreased significantly, together with a reduction in non-essential operating and capital expenditure as a result of Covid-19.

In addition, the Group maintains the following other lines of credit, which remain undrawn at 31 December 2020.

- KD 400,000 overdraft facility that is unsecured. Interest is payable at the rate of CBK discount rate plus 200 basis points on any drawn amounts. (2019: KD 400,000).

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

31 December 2020	*Less than 3 months KD*	*3 – 12 months KD*	*More than 1 year KD*	*Total KD*
Trade and other payables*	**276,144**	**887,480**	**-**	**1,163,624**

31 December 2019	*Less than 3 months KD*	*3 – 12 months KD*	*More than 1 year KD*	*Total KD*
Lease liabilities	33,831	101,493	451,068	586,392
Trade and other payables*	606,732	858,668	-	1,465,400
	640,563	960,161	451,068	2,051,792

* *excluding unearned revenue*

24.3 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 comprise of interest rate risk, foreign currency risk, and equity price risk.

24.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial instruments, which potentially subject the Group to interest rate risk, consist principally of cash and short-term deposits. The Group's term deposits are short-term in nature and yield interest at commercial rates. Therefore, the Group believes there is minimal risk of significant losses due to interest rate fluctuations.

As at the reporting date, the Group does not hold interest bearing liabilities.

24.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has no significant foreign currency exposure and is therefore not exposed to foreign currency risk at the reporting date.

24 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

24.3.3 Equity price risk

The Group's equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The Group holds strategic equity investments in private entities, which complement the Group's operations. Management believes that the exposure to market price risk from this activity is acceptable in the Group's circumstances.

At the reporting date, the exposure to unquoted equity securities at fair value was KD 64,246. Sensitivity analyses of these investments have been provided in Note 25

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of its assets and liabilities by valuation technique:

- 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; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts as these are either of short-term maturity (no longer than twelve months) or re-priced immediately based on market movement in interest rates. For amounts due from (to) related parties that have no specified repayment dates and that are receivable (payable) on demand, management assessed that the fair value is not less than their face value.

The Group's financial assets measured at fair value represent unquoted equity investments classified as Level 3.

Valuation techniques

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 these positions. The Group's investment manager determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on Company specific facts and circumstances.

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:

	Non-listed equity investments		
2020	*Financial assets at FVOCI* KD	*Financial assets at FVTPL* KD	*Total* KD
As at 1 January	36,945	38,900	75,845
Remeasurement recognised in OCI	(28,870)	-	(28,870)
Remeasurement recognised in profit or loss	-	17,271	17,271
As at 31 December	8,075	56,171	64,246

25 FAIR VALUES OF FINANCIAL INSTRUMENTS

Reconciliation of Level 3 fair values (continued)

	Non-listed equity investments		
2019	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*	*Total KD*
As at 1 January	50,235	71,400	121,635
Remeasurement recognised in OCI	(13,290)	-	(13,290)
Remeasurement recognised in profit or loss	-	(32,500)	(32,500)
As at 31 December	36,945	38,900	75,845

Description of significant unobservable inputs to valuation and sensitivity analysis to significant changes in unobservable inputs within Level 3 hierarchy
The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy include discount for lack of marketability (DLOM) that the Group has determined that market participants would take into account when pricing the investments. The Group has also performed a sensitivity analysis by varying these inputs by 5%. Based on such analysis, no significant changes in fair values were noted.

26 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the consolidated statement of financial position.

The Group is not subject to externally imposed capital requirements.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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

27 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.

27 IMPACT OF COVID-19 OUTBREAK (continued)

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer-term impact on the Group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the Group's liquidity.

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 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.

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

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 63,469. 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 'other income' 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.

27 IMPACT OF COVID-19 OUTBREAK (continued)

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.