KUWAITI INDIAN
Holding Company K.S.C.C
الشركة الكويتية الهندية القابضة
شركة مساهمة كويتية (مقفلة)

Annual General Meeting
for the year end 31 Dec 2020

جدول أعمال الجمعية العامة العادية
للشركة الكويتية الهندية القابضة ش.م.ك (مقفلة)

1. سماع تقرير مجلس الإدارة عن السنة المالية المنتهية في 31 ديسمبر 2020 والمصادقة عليه.
2. سماع تقرير مراقب حسابات الشركة عن السنة المالية المنتهية في 31 ديسمبر 2020 والمصادقة عليه.
3. سماع تقرير هيئة الفتوى والرقابة الشرعية عن أعمال الشركة للسنة المالية المنتهية في 31 ديسمبر 2020 والمصادقة عليه.
4. مناقشة البيانات المالية المنتهية في 31 ديسمبر 2020 وإعتمادها.
5. سماع تقرير المخالفات والجزاءات الصادرة من الجهات الرقابية.
6. سماع تقرير التعاملات التي تمت أو ستتم مع الأطراف ذات الصلة.
7. مناقشة على اقتراح مجلس الإدارة بعدم استقطاع 10% من أرباح السنة الصافية لحساب الاحتياطي القانوني .
8. مناقشة على اقتراح مجلس الإدارة بعدم استقطاع 10% من أرباح السنة الصافية لحساب الاحتياطي الاختياري .
9. مناقشة مكافأة السادة أعضاء مجلس الإدارة بمبلغ إجمالي 23,000 دينار كويتي عن السنة المالية المنتهية في 31 ديسمبر 2020.
10. مناقشة إقتراح مجلس الإدارة بتوزيع أرباح نقدية بنسبة 5% أي ما يعادل 5 فلس عن كل سهم مبلغ 105,000 دينار كويتي للمساهمين المقيدين بسجلات الشركة وقت إنعقاد الجمعية العمومية.
11. مناقشة إخلاء طرف السادة أعضاء مجلس الإدارة وإبراء ذمتهم عن كل ما يتعلق بتصرفاتهم القانونية والمالية والإدارية عن السنة المالية المنتهية في 31 ديسمبر 2020.
12. مناقشة تعيين أو إعادة تعيين السادة هيئة الفتوى والرقابة الشرعية للسنة المالية المنتهية في 31 ديسمبر 2021 وتفويض مجلس الإدارة بتحديد أتعابهم.
13. مناقشة تعيين أو إعادة تعيين مدقق حسابات الشركة للسنة المالية المنتهية في 31 ديسمبر 2021 وتفويض مجلس الإدارة بتحديد أتعابه.

فهد بدر البدر
رئيس مجلس الإدارة

الشركة الكويتية الهندية القابضة
شركة مساهمة كويتية مقفلة
Kuwaiti Indian Holding Company
K.S.C.C

تقرير مجلس الإدارة

عن السنة المالية المنتهية في 31 ديسمبر 2020 م

السادة المساهمين الكرام ...

يسر مجلس إدارة الشركة الكويتية الهندية القابضة ش.م.ك (مقفلة) أن يضع بين أيديكم التقرير السنوي والميزانية العمومية للشركة عن السنة المالية المنتهية في 2020/12/31.

تأسست الشركة الكويتية الهندية القابضة ش.م.ك (مقفلة) من أجل تحقيق الأغراض الأساسية التي أسست من أجلها الشركة وهو تملك أسهم شركات مساهمة كويتية أو أجنبية ، وكذلك تملك أسهم أو حصص في شركات ذات مسئولية محدودة، كويتية أو أجنبية أو الإشتراك في تأسيس هذه الشركات بنوعيها وإدارتها وإقراضها وكفالتها لدى الغير، إستغلال الفوائض المالية المتوفرة لدى الشركة عن طريق إستثمارها في محافظ مالية تدار من قبل شركات وجهات متخصصة .

وقد حققت الشركة خلال السنة المالية المنتهية في 2020/12/31 خسائر بمبلغ (28,937) د.ك. مقارنة ارباح بلغت 173,436 د.ك. عن السنة المالية المنتهية في عام 2019 .

ولتسليط الضوء على بيانات المركز المالي للسنة المالية المنتهية في 2020/12/31 ، فقد بلغ إجمالي الأرصدة النقدية وشبه النقدية مبلغ 633,458 د.ك. في 2020 (151,842 د.ك. في عام 2019) ، كما بلغ مجموع أصول الشركة مبلغ 2,801,822 د.ك. (2,879,673 د.ك. في عام 2019) . كما بلغ اجمالي خصوم الشركة مبلغ 76,675 د.ك. (62,512 د.ك. في عام 2019) ، وقد بلغ إجمالي حقوق الملكية مبلغ 2,725,147 د.ك. (2,817,161 د.ك. في عام 2019) .

الرؤية المستقبلية للشركة:

تسعى إدارة الشركة حالياً للتوسع في أعمالها وأنشطتها وتحاول إغتنام وإقتناص كافة الفرص الإستثمارية المتاحة و تسخير كافة الجهود من أجل تحقيق المزيد من الإنجازات والنمو في أنشطة وأرباح الشركة، وسوف نعمل بكل جهد على البحث عن استثمارات جديدة في كافة الأسواق على المستوى المحلي والأجنبي ، والدخول في شراكات دولية، والبحث عن الفرص ذات العائد السنوي الجيد والمستمر خصوصا في ظل زيادة الأرصدة النقدية عن العام الماضي .

وفي الختام يسرني أن أتقدم بالشكر الجزيل لمساهمينا الكرام لثقتهم في شركتنا.

وتفضلوا بقبول فائق الاحترام والتقدير،،،

فهد بدر البدر
رئيس مجلس الإدارة

الشركة الكويتية الهندية القابضة
شركة مساهمة كويتية مقفلة
Kuwaiti Indian Holding Company
K.S.C.C

Consolidated financial statements and independent auditor's report

Kuwaiti Indian Holding Company – KSC (Closed) and Subsidiary

Kuwait

31 December 2020

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Grant Thornton
Al-Qatami, Al-Aiban & Partners
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Independent auditor's report

To the Shareholders of
Kuwaiti Indian Holding Company – KSC (Closed) and Subsidiary
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwaiti Indian Holding Company – Kuwaiti Closed Shareholding Company ("Parent Company ") and its subsidiary ("the Group"), which comprise the statement of consolidated financial position as at 31 December 2020, and the statement of consolidated profit or loss and other comprehensive income, statement of consolidated changes in equity and statement of consolidated 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 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 (IASs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report is information included in the report of the Group's board of directors, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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 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.

Independent auditor's report to the Shareholders of Kuwaiti Indian Holding Company – KSC (Closed) and Subsidiary (continued)

Responsibilities of Management for the consolidated Financial Statements

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

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

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

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

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

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

Independent auditor's report to the Shareholders of Kuwaiti Indian Holding Company – KSC (Closed) and Subsidiary (continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of account have been kept by the Group and the consolidated financial statements, together with the contents of the report of the Group's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Group's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Group's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business or financial position of the Group.

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
25 March 2021

Statement of consolidated profit or loss and other comprehensive income

	Note	Year ended 31 Dec. 2020 (Consolidated) KD	Year ended 31 Dec. 2019 (Unconsolidated) KD
Income			
Unrealised (loss)/gain on investments at fair value through profit or loss		**(12,421)**	193,343
Income from murabaha and wakala investments		**16,436**	29,361
Dividend income		**15,740**	15,115
Rental Income		**17,794**	-
Realised (loss)/gain on sale of investments at fair value through profit or loss		**(4,798)**	277
Foreign exchange loss		**(450)**	-
		32,301	238,096
Expenses			
General and administrative expenses	8	**(61,238)**	(60,994)
(Loss)/profit before KFAS and Zakat		**(28,937)**	177,102
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		**-**	(1,803)
Zakat provision		**-**	(1,863)
Profit for the year		**(28,937)**	173,436
Other comprehensive income for the year			
Items to be reclassified to profit or loss in subsequent periods:			
-Exchange differences arising from translation of foreign operations		**41,923**	-
Total other comprehensive income for the year		**41,923**	-
Total comprehensive income for the year		**12,986**	173,436

The notes set out on pages 8 to 31 form an integral part of these consolidated financial statements.

Statement of consolidated financial position

	Note	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (Unconsolidated) KD
Assets			
Cash and cash equivalents	15	**633,458**	151,842
Wakala investment	9	**-**	1,000,000
Investments at fair value through profit or loss	10	**987,035**	1,147,282
Accrued income and other receivables		**15,436**	30,257
Due from related party – Intermediate Parent Company	16	**260,010**	550,292
Investment Property	11	**904,130**	-
Furniture and fitting		**1,753**	-
Total assets		**2,801,822**	2,879,673
Liabilities and equity			
Liabilities			
Accrued expenses and other liabilities		**69,880**	56,719
Provision for end of service indemnity		**6,795**	5,793
Total liabilities		**76,675**	62,512
Equity			
Share capital	12	**2,100,000**	2,100,000
Statutory reserve	13	**572,032**	677,032
Foreign currency translation reserve		**41,923**	-
Retained earnings		**11,192**	40,129
Total equity		**2,725,147**	2,817,161
Total liabilities and equity		**2,801,822**	2,879,673

Fahad Al-Bader
Chairman

Abdullah Al-Ahmed
Director

The notes set out on pages 8 to 31 form an integral part of these consolidated financial statements.

MR

Statement of consolidated changes in equity

	Share capital KD	Statutory reserve KD	foreign currency translation reserve KD	Retained Earnings KD	Total KD
Balance at 1 January 2020	2,100,000	677,032	-	40,129	2,817,161
Dividend paid during the year (note 14)	-	(105,000)	-	-	(105,000)
Transaction with owners	-	(105,000)	-	-	(105,000)
Loss for the year	-	-	-	(28,937)	(28,937)
Other comprehensive income for the year	-	-	41,923	-	41,923
Total comprehensive income for the year	-	-	41,923	(28,937)	12,986
Balance as at 31 December 2020	2,100,000	572,032	41,923	11,192	2,725,147
Balance at 1 January 2019	2,100,000	645,350	-	3,375	2,748,725
Dividend paid during the year (note 14)	-	(101,625)	-	(3,375)	(105,000)
Transaction with owners	-	(101,625)	-	(3,375)	(105,000)
Profit for the year	-	-	-	173,436	173,436
Total comprehensive income for the year	-	-	-	173,436	173,436
Transfer to reserves	-	133,307	-	(133,307)	-
Balance as at 31 December 2019	2,100,000	677,032	-	40,129	2,817,161

The notes set out on pages 8 to 31 form an integral part of these consolidated financial statements.

Statement of consolidated cash flows

	Note	Year ended 31 Dec. 2020 (Consolidated) KD	Year ended 31 Dec. 2019 (unconsolidated) KD
OPERATING ACTIVITIES			
(Loss)/profit before KFAS and Zakat		**(28,937)**	177,102
Adjustments for:			
Income from wakala investments		**(16,436)**	(29,361)
Provision for end of service indemnity		**1,002**	1,514
Dividend income		**(15,740)**	(15,115)
		(60,111)	134,140
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		**160,247**	(453,200)
Due from related party		**290,282**	300
Accrued income and other receivable		**(4,161)**	(1,762)
Accrued expenses and other liabilities		**(3,846)**	658
Net cash from/(used in) operation		**382,411**	(319,864)
KFAS paid		**(1,869)**	(757)
Zakat paid		**(1,865)**	(808)
Net cash from/(used in) operating activities		**378,677**	(321,429)
INVESTING ACTIVITIES			
Net change in wakala investments		**1,000,000**	-
Dividend received		**15,740**	15,115
Income received from wakala investment		**44,217**	21,612
Net cash outflow on acquisition of subsidiary	7	**(856,413)**	-
Net cash from investing activities		**203,544**	36,727
FINANCING ACTIVITIES			
Payments to the shareholders on account of decrease in share capital		**(3,478)**	(2,228)
Dividend payment		**(97,127)**	(101,812)
Net cash used in financing activities		**(100,605)**	(104,040)
Net increase /(decrease) in cash and cash equivalents		**481,616**	(388,742)
Cash and cash equivalents at beginning of the year		**151,842**	540,584
Cash and cash equivalents at end of the year	15	**633,458**	151,842

The notes set out on pages 8 to 31 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Kuwaiti Indian Holding Company ("the Parent Company") was incorporated as a Kuwaiti Closed Shareholding company on 22 February 2006 and the first incorporation General Assembly of the Parent Company was held on 28 March 2006. The Parent Company is a subsidiary of Noor Financial Investment Company – KPSC ("the Intermediate Parent Company") which in turn is a subsidiary of National Industries Group Holding – KPSC ("the Ultimate Parent Company"). The principal objectives of the Parent Company are as follows:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti shareholding companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.

- Lending money to companies in which it owns 20% or more of the capital of the borrowing company, in addition to acting as a guarantor on behalf of these companies.

- Owning industrial intangible assets such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.

- Owning moveable property to conduct its operations within the limits stipulated by law.

- Employing excess funds available with the Parent Company by investing them in investment portfolios managed by specialised companies.

The Parent Company can perform all the activities mentioned above in or outside the State of Kuwait, either directly or through an agent. The Parent Company has the right to participate and subscribe in any way, with other firms which operate in the same field or those which would assist in achieving its objectives in or outside Kuwait. Further, the Parent Company can establish, fund, purchase or acquire majority interests in companies performing similar activities.

The Parent Company shall adhere to conduct all of its activities to Islamic Sharia instructions and provisions, the foregoing objectives may not have interpreted in any event to allow the Parent Company directly or indirectly to conduct any riba activities either in the form of interest or in any specific form relating to the Parent Company's dealing in financing, bonds, and financial securities.

The address of the Parent Company's registered office is Noor Financial Investment Company Complex, Building 2, Block – 13, Basement Office No. 4, Qibla, Kuwait (PO Box 3311, Safat 13034, State of Kuwait).

The board of directors of the Parent Company approved these consolidated financial statements for issuance on 25 March 2021. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements of the Group are prepared under historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss financial assets.

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD").

The Group has elected to present the "statement of consolidated profit or loss and other comprehensive income" in a single statement.

Notes to the consolidated financial statements (continued)

3 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB.

4 Changes to accounting policies

New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020
IFRS 16 – Amendments – Covid 19 Rent Related Concessions	1 June 2020

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

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to definition of business. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

The application of the amendments did not have a significant impact on the Group's consolidated financial statements.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The application of the amendments did not have a significant impact on the Group's consolidated financial statements.

IFRS 16 – Amendments- COVID19 Rent Related Concessions

IFRS 16 contains specific requirements when accounting for changes to lease payments and rent concessions are in the scope of these requirements. Lessees are required to assess whether rent concessions are lease modifications, and if they are, there is specific accounting to be applied.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IFRS 16 – Amendments- COVID19 Rent Related Concessions (continued)
However, applying these requirements to potentially a significant number of leases could be difficult, particularly from a practical perspective due to pressures resulting from the pandemic.

The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

The practical expedient is only applicable to rent concessions provided as a direct result of the COVID-19 pandemic. The relief is only for lessees that are granted these rent concessions. There are no changes for lessors.

All of the following conditions need to be met:
- The rent concession provides relief to payments that overall results in the consideration for the lease contract being substantially the same or less than the original consideration for the lease immediately before the concession was provided.
- The rent concession is for relief for payments that were originally due on or before 30 June 2021. So payments included are those required to be reduced on or before 30 June 2021, but subsequent rental increases of amounts deferred can go beyond 30 June 2021.
- There are no other substantive changes to the other terms and conditions of the lease

The application of the amendments did not have a significant impact on the Group's consolidated financial statements

4.2 IASB Standards issued but not yet effective

At the date of authorisation of this consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial information.

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IAS 16 – Amendments – Proceeds before intended use	1 January 2022
Annual Improvements 2018-2020 Cycle	1 January 2022
IAS 1 – Amendments – Classification of current or non-current	1 January 2023

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments
The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture – Amendments (continued)

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IAS 16 Amendments - Proceeds before intended use
The amendment prohibits an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity will recognise such sales proceeds and related cost in profit or loss.

Management does not anticipate that the adoption of the amendment in the future will have a significant impact on the Group's consolidated financial statements.

Annual Improvements 2018-2020 Cycle
Amendment to IAS 1 simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences. Subsidiary that is a first-time adopter later than its parent might have been required to keep two parallel sets of accounting records for cumulative translation differences based on different dates of transition to IFRSs. However, the amendment extends the exemption to cumulative translation differences to reduce costs for first-time adopters.

Amendment to IFRS 9 relates to the '10 per cent' Test for Derecognition of Financial Liabilities – In determining whether to derecognise a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different. 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.

Taxation in fair value measurements – Before this amendment, when an entity used a discounted cash flow technique to determine the fair value applying IAS 41, IAS 41.22 required the entity to exclude taxation cash flows from the calculation. The amendment to IAS 41 removed from this requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IAS 1 Amendments - Classification of current or non-current
The amendments to IAS 11 clarify the classification of a liability as either current or non-current is based on the entity's rights at the end of the reporting period. Stating management expectations around whether they will defer settlement or not does not impact the classification of the liability. It has added guidance about lending conditions and how these can impact classification and has included requirements for liabilities that can be settled using an entity's own instruments.

Management does not anticipate that the adoption of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5 Summary of significant accounting policies

The significant accounting policies and measurements bases adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The consolidated financial statements comprise financial statements of the Parent Company and its subsidiary. Subsidiary includes entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary has a reporting date of 31 December. The details of the subsidiary are set out in Note 7 to the consolidated financial statements.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses of subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

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:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences, recorded in consolidated statement of changes in equity;

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of profit or loss;
- Reclassifies the parent's share of components previously recognized in consolidated statement of profit or loss and other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group has directly disposed of the related assets or liabilities.

5.2 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised.

5.4 Revenue

The Group recognises revenue from the following major sources:

- Dividend income
- Income from murabaha and wakala investments
- Rental of investment properties

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Revenue (continued)

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognising revenue when/as performance obligation(s) are satisfied.

The Group often enters into transactions involving a range of the Group's products and services.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices.

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

5.4.1 Dividend income

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

5.4.2 Income from murabaha and wakala investments

Income from murabaha and wakala investments is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

5.4.3 Rental income

The Group earns rental income from operating leases of its investment properties (refer note 5.7).

5.5 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

5.6 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end.

5.7 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuators and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

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

5.8 Financial instruments

5.8.1 Recognition, initial measurement and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by directly attributable transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the assets have expired;
- 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 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 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 the Group's 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.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. In the period presented no such designation has been made.

5.8.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount is case of default, negligence or violation of any terms and conditions of the Wakala.

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.3 Subsequent measurement of financial assets (continued)

- *Due from related parties*

Amount due from transaction with related parties and cash advances to related parties are included under due from related parties.

Financial assets at amortised cost which are not categorised under any of the above are classified as "Other receivables/Other financial assets"

- ***Financial assets at FVTPL***

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The category also contains investments in equity shares.

Assets in this category are measured at fair value with gains or losses recognised in statement of consolidated profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL comprise of the following:

- *Local quoted shares*
- *Local fund investing in listed securities*
- *Unquoted foreign fund*

5.8.4 Impairment of financial assets

All financial assets of the Group except those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8 Financial instruments (continued)

5.8.4 Impairment of financial assets (continued)

The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group's policy is to recognise lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Group does not have any trade receivable as of the reporting date.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the statement of consolidated profit or loss and other comprehensive income for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

5.8.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include other liabilities.

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

- ***Financial liabilities at amortised cost***

These are stated using effective interest rate method. Accrued expenses and other liabilities are classified as financial liabilities other than at FVTPL.

Accrued expenses and other liabilities

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

5.8.6 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.8 Financial instruments (continued)

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

5.8.8 Fair value of financial instruments
The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 17.

5.9 Equity, reserves and dividend payments
Share capital represents the nominal value of shares that have been issued and paid up.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Group's Articles of Association.

Other components of equity include the following:
- Foreign currency translation reserve – comprises of foreign currency translation differences arising from the translation of financial statement of the group foreign subsidiary into Kuwait Dinar (KD)
- Cumulative changes in fair value reserve – comprises of gains and losses relating to fair value through other comprehensive income financial assets

Retained earnings includes all current and prior period retained profits. All transactions with owners are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Assembly Meeting.

5.10 Provisions, contingent assets and contingent liabilities
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.11 Foreign currency translation

5.11.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Group.

5.11.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

5.11.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KD are translated into KD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities are translated into KD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into KD at the closing rate. Income and expenses have been translated into KD at the average rate over the reporting period. Exchange differences are charged/credited to consolidated statement of profit or loss and other comprehensive income and recognised in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal

5.12 End of service indemnity

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

5.13 Taxation

5.13.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.13.2 Zakat
Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

5.14 Cash and cash equivalents
For the purpose of the statement of consolidated cash flows, cash and cash equivalents consist of cash and bank balances.

6 Significant management judgements and estimation uncertainty
The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgments
In the process of applying the Group's accounting policies, management has made the following significant judgments and estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

6.1.1 Business model assessment
The Group classifies financial assets after performing the business model test. This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.2. Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of financial assets
Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The calculation of which includes historical data, assumptions and expectations of future conditions. The Group based these estimates using reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6.2.2 Revaluation of investment properties
The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuators have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Notes to the consolidated financial statements (continued)

6 Critical accounting judgements and key sources of estimation uncertainty (continued)

6.1 Significant management judgments (continued)

6.2.3 Useful lives of depreciable assets

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

6.2.4 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

7 Subsidiary companies

7.1 Details of the Group's consolidated subsidiary as of the reporting date is as follows:

Subsidiary	Country of registration and place of business	Proportion of ownership interest held by the Group		Nature of business
		31 Dec. 2020	31 Dec. 2019	
Noor UK Holding Company Limited	British Virgin Islands	100%	-	Real Estate related activities

7.2. Acquisition of subsidiary

7.2.1. On 25 November 2020, the Parent company acquired 100% equity stake in Noor UK holding Company Limited and the acquisition was accounted in accordance with IFRS 3 as follows:

	KD
Total consideration	870,197
Less: Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash balances with property manager	13,784
Trade and other receivable	8,799
Investment Properties	862,330
Furniture and fitting	1,352
Payable and accruals	(16,068)
Total identifiable net assets	870,197
Goodwill	-

Notes to the consolidated financial statements (continued)

7 Subsidiary company (continued)

7.2. Acquisition of subsidiary (continued)

The result of the newly acquired subsidiary was consolidated to the Group's results effective from 26 November 2020 and the financial position as at 31 December, 2020 was consolidated with the Group's financial position as of that date. Accordingly, Noor UK Holding Company Limited as a subsidiary contributed revenue and profit of KD17,794 and KD11,747 to the net result of the Group respectively.

For the purpose of the cash flow statement the net cash out flow on acquisition of subsidiary is as follows:

	KD
Total consideration	(870,197)
Less: Cash balances with property manager of subsidiary on acquisition	13,784
	(856,413)

8 General and administrative expenses

	Year ended 31 Dec. 2020 (Consolidated) KD	Year ended 31 Dec. 2019 (Unconsolidated) KD
Staff costs	16,807	16,109
Board of Director's remuneration for the year 2019 as approved by Shareholders (2019: for the year 2018) (note 14)	23,000	23,000
Others	21,431	21,885
	61,238	60,994

9 Wakala investments

Wakala investment with bank – Nil (2019: KD1,000,000)

The short term wakala investment made with a local Islamic bank matured during the current year and the investment carried a fixed profit rate of 2.85% (2019: 3%) per annum up to maturity.

10 Investment at fair value through profit or loss

	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (Unconsolidated) KD
Local quoted shares	615,639	752,133
Local fund investing in listed securities (managed by Parent Company)	371,396	359,829
Unquoted foreign fund	-	35,320
	987,035	1,147,282

Local quoted shares with a carrying value of KD312,275 at 31 December 2020 (2019: KD418,861) are managed by the Parent Company.

Notes to the consolidated financial statements (continued)

11 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (unconsolidated) KD
Fair value as of 1 January	-	-
Addition due to acquisition of a subsidiary (note 7.2)	862,330	-
Foreign currency translation	41,800	-
	904,130	-

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data.

	31 Dec. 2020 (Consolidated) Level 3 KD	31 Dec. 2019 (unconsolidated) Level 3 KD
Investment properties		
Outside Kuwait		
- Building in UK	904,130	-
	904,130	-

12 Share capital

	31 Dec. 2020 KD	31 Dec. 2019 KD
Authorised and paid up share capital – 21,000,000 shares of 100 Fils each	2,100,000	2,100,000

13 Statutory and voluntary reserves

In accordance with the Companies Law and the Group's Articles of Association, 10% of the profit before KFAS, Zakat and director remuneration is to be transferred to statutory reserve. No transfer is required in a year in which losses are made. The shareholders of the Group may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital and dividend. During the previous year the board of directors proposed to transfer an amount KD133,307 to the statutory reserves.

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

In accordance with the Group's Articles of Association, a certain percentage of the profit for the year before KFAS, Zakat and director remuneration, if any, is to be transferred to the voluntary reserve at the discretion of the board of directors which is to be approved at the General Assembly. For the year, 2020 board of directors propose not to transfer of the above mentioned profit to the voluntary reserve and this is subject to the approval at the General Assembly. There is no restriction on distribution of voluntary reserve.

No transfer is required in which the company incurred losses or in which there are accumulated losses.

Notes to the consolidated financial statements (continued)

14 Dividend distribution and director's remuneration

At the general assembly held on 5 July 2020 the shareholders approved the following:

a) A cash dividend of 5 fils per share amounting to KD105,000.

b) The financial statements for the year ended 31 December 2019 and also to pay to the board of director's remuneration of KD23,000 for the year ended 31 December 2019 (this has been recorded under general and administrative expense during year 2020).

Subject to the requisite consent of the relevant authorities and approval from the general assembly, the Group's Board of Directors propose to distribute a total amount of KD 23,000 as remuneration to the Board of Directors for the year ended 31 December 2020 and cash dividend of 5 fils per share amounting to KD105,000

15 Cash and cash equivalents

	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (Unconsolidated) KD
Bank balances	**429,895**	75,048
Cash balance with portfolio/property managers:		
- Others (held through the intermediate Parent Company)	**183,190**	76,794
- Balances held through property manager	**20,373**	-
	633,458	151,842

Cash and cash equivalents include bank balances of KD55,258 (2019: KD50,989) which are designated for the purpose of payment on account of capital reduction and dividend.

16 Related party transactions

Related parties represent the Parent Company, the Intermediate Parent Company, the Ultimate Parent Company, other major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

Details of significant related party transactions and balances are as follows:

	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (Unconsolidated) KD
Balances and transactions included in statement of consolidated financial position		
Cash balances with the portfolio managers (held through Intermediate Parent Company)	**183,190**	76,794
Local fund investing in listed securities (managed by Intermediate Parent Company)	**371,396**	359,829
Local quoted shares (managed by Intermediate Parent Company)	**312,275**	113,620
Due from related party – Intermediate Parent Company	**260,010**	550,292

Notes to the consolidated financial statements (continued)

16 Related party transactions (continued)

	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (Unconsolidated) KD
Transactions included in statement of consolidated of profit or loss and other comprehensive income		
Management fee expenses – Intermediate Parent Company	**3,953**	2,537
Rent expenses – Intermediate Parent Company	**2,188**	3,000
Compensation of key management personnel of the group		
Board of directors' remuneration for the year 2019 (2019: for the year 2018) (refer note 8 and 14)	**23,000**	23,000

17 Summary of financial assets and liabilities by category and fair value measurement

17.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the statement of consolidated financial position may also be categorized as follows:

	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (unconsolidated) KD
Financial assets at amortised cost		
• Cash and cash equivalents	**633,458**	151,842
• Wakala investment	**-**	1,000,000
• Accrued income and other receivable	**15,436**	30,257
• Due from related parties	**260,010**	550,292
Investments at fair value through profit or loss	**987,035**	1,147,282
	1,895,939	2,879,673
Financial liabilities at amortised cost		
• Accrued expenses and other liabilities	**69,880**	56,719
	69,880	56,719

17.2 Fair value measurement

Fair value represents 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. In the opinion of the Group's management, the carrying value of all financial assets and liabilities noted above is considered a reasonable approximation of their fair values.

17.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statement are grouped into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the consolidated financial statements (continued)

17 Summary of financial assets and liabilities by category and fair value measurement (continued)

17.3 Fair value hierarchy (continued)

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

17.4 Fair value measurement of financial instruments

The financial assets and liabilities measured at fair value in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

31 December 2020	Note	Level 1	Level 2	Level 3	Total Balance
		KD	KD	KD	KD
Assets at fair value					
Investments at fair value through profit or loss					
- Quoted shares	a	615,639	-	-	615,639
- Local funds	b	-	371,396	-	371,396
Total		615,639	371,396	-	987,035

31 December 2019	Note	Level 1	Level 2	Level 3	Total Balance
		KD	KD	KD	KD
Investments at fair value through profit or loss					
- Quoted shares	a	752,133	-	-	752,133
- Local funds	b	-	359,829	-	359,829
- Foreign fund	c	-	35,320	-	35,320
Total		752,133	395,149	-	1,147,282

There have been no transfers between level 1 and level 2 during the reporting period.

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

a) Quoted shares (level 1)

Quoted shares represent all listed securities which are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid price at the reporting date.

b) Local funds (level 2)

The underlying investments of local funds primarily comprises of foreign and local quoted securities. The fair values of the funds have been valued based on net asset value reported by the fund manager.

c) Foreign funds (level 2)

The underlying investments of foreign funds primarily comprise of foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

Notes to the consolidated financial statements (continued)

18 Risk management objectives and policies

The Group's principal financial liabilities comprise accrued expenses and other liabilities. The Group has various financial assets such as accrued income and other receivable, cash and cash equivalents, due from related parties, and investment securities which arise directly from operations.

The Group's activities expose it to variety of financial risks: market risk, credit risk and liquidity risk.

The Group's board of directors sets out policies for reducing each of the risks discussed below.

The Group does not use derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described below.

18.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the value of monetary financial instruments will fluctuate due to changes in foreign exchange rates. As at the reporting date the Group does not have any significant exposure to foreign currency denominated monetary assets or monetary liabilities and therefore, the Group is not exposed to any significant foreign currency risks.

b) Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group's wakala investments were not exposed to profit rate risk as they earn profit at fixed rates until maturity.

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investment which are primarily located in Kuwait, classified as investment at fair value through profit or loss.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 10% higher/lower, the effect on the (loss)/profit for the year ended 31 December 2020 would have been as follows:

A positive number below indicates an increase in the profit where the equity prices increase by 10%. All other variables are held constant.

	Effect on loss for the year ended 31 Dec. 2020 KD	Effect on profit for the year ended 31 Dec. 2019 KD
Investments at fair value through profit or loss	**61,564**	75,213

If there was a negative change in equity prices in accordance with the above mentioned equity price risk sensitivity assumptions (10%), there would be an equal and opposite impact on the (loss)/profit for the year, and the balances shown above would be negative.

Notes to the consolidated financial statements (continued)

18 Risk management objectives and policies (continued)

18.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group credit policy and exposure to credit risk is monitored on an ongoing basis.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the statement of consolidated financial position, as summarized below:

	31 Dec. 2020 (Consolidated) KD	31 Dec. 2019 (Unconsolidated) KD
Bank balances	**429,895**	75,048
Cash balances with the portfolio/property managers	**203,563**	76,794
Wakala investment	**-**	1,000,000
Accrued income and other receivable	**15,436**	30,257
Due from related party	**260,010**	550,292
Investment at fair value through profit or loss	**987,035**	1,147,282
	1,895,939	2,879,673

The credit risk for bank balances and wakala investment with banks and amounts due from related party are considered negligible, since the counterparties are reputable financial institution / entities with high credit quality.

18.3 Concentration of financial assets

As at the reporting date KD1,126,871 (59%) [2019: KD1,100,535 (38%)] of the Group's financial assets (wakala investments and accrued income, cash balances with portfolio managers, investment at fair value through profit or loss and due from related parties) are either placed with, due from or managed by the intermediate Parent Company, a Kuwaiti listed investment company.

18.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management of the Group has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss is determined based on management's estimate of liquidation of those investments.

Notes to the consolidated financial statements (continued)

18 Risk management objectives and policies (continued)

18.4 Liquidity risk (continued)

Maturity profile of assets and liabilities are as follows:

	Kuwaiti Dinars (Consolidated)		
	1 year	Over 1 year	Total
At 31 December 2020	KD	KD	KD
ASSETS			
Cash and cash equivalents	633,458	-	633,458
Investment at fair value through profit or loss	987,035	-	987,035
Accrued income and other receivables	15,436	-	15,436
Due from related parties	260,010	-	260,010
Investment Properties	-	904,130	904,130
Furniture and Fittings	-	1,753	1,753
	1,895,939	905,883	2,801,822
LIABILITIES			
Accrued expenses and other liabilities	69,880	-	69,880
Provision for end of service benefits	-	6,795	6,795
	69,880	6,795	76,675
At 31 December 2019			
ASSETS			
Cash and cash equivalents	151,842	-	151,842
Wakala investment	1,000,000	-	1,000,000
Investment at fair value through profit or loss	1,147,282	-	1,147,282
Accrued income and other receivables	30,257	-	30,257
Due from related parties	550,292	-	550,292
	2,879,673	-	2,879,673
LIABILITIES			
Accrued expenses and other liabilities	56,719	-	56,719
Provision for end of service benefits	-	5,793	5,793
	56,719	5,793	62,512

The contractual maturity of financial liabilities based on discounted cash flows approximates the above.

19 Capital risk management

The Group's capital management objectives are to ensure that it will be able to continue as a going concern and to provide adequate return to its shareholders through optimisation of the capital structure.

The capital of the Group consists of total equity. The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and 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, buy back shares, issue new shares or sell assets to reduce debt. The management monitors the Group's return on capital.

Notes to the consolidated financial statements (continued)

20 Effect of COVID-19

The outbreak of Coronavirus ("COVID19") pandemic and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global and local equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with various financial packages and reliefs designed to stabilise economic conditions, the duration and extent of the impact of the COVID19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

Management has updated its assumptions with respect to judgements and estimates on various account balances which may be potentially impacted due to continued uncertainties in the volatile economic environment in which the Group conducts its operations. The assessment did not result into any significant impact on the consolidated financial statements.

Management is aware that a continued and persistent disruption could negatively impact the financial position, performance and cash flows of the Group in the future. Management continues to closely monitor the market trends, its supply-chain, industry reports and cash flows to minimise any negative impact on the Group.