# Al Soor Fuel Marketing Company K.S.C.P. and its Subsidiary

## CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2020

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Ernst & Young
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# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P.

## Report on the Audit of the Consolidated Financial Statements

*Opinion*
We have audited the consolidated financial statements of Al Soor Fuel Marketing Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each 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.

We identified the following key audit matter:

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**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)**

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

*Key Audit Matters (continued)*

*Valuation of financial assets at fair value through other comprehensive income*

As at 31 December 2020, the Group had financial assets at fair value through other comprehensive income amounting to KD 21,797,691. These financial assets are measured at fair value with the corresponding fair value change recognized in other comprehensive income. The valuation of the financial assets at fair value through other comprehensive income is inherently subjective - most predominantly for the level 3 of fair value hierarchy, since these are valued using inputs other than quoted prices in an active market. Fair value can be subjective in nature and involve various assumptions regarding pricing factors.

The use of different valuation techniques and assumptions could produce significantly different estimates of the values of these financial assets at fair value through other comprehensive income.

Due to the significance of estimation uncertainty associated with the fair valuation and impairment analysis of the financial assets at fair value through other comprehensive income, this is considered a key audit matter.

We performed audit procedures to assess the methodology and the appropriateness of the valuation models and inputs used to value financial assets fair value through other comprehensive income. As part of these audit procedures, we assessed the accuracy of key inputs used in the valuation such as quoted market prices, market multiples, and discount rates for lack of marketability and lack of control, the expected cash flows, risk free rates and credit spreads by benchmarking them with external data, investigated significant differences. Finally, we assessed the adequacy of the disclosures relating to financial assets in notes 8 and 23 to the consolidated financial statements.

*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 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 Group's 2020 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 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 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.

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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.

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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING 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)*

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

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

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

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

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

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.

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AL SOOR FUEL MARKETING COMPANY K.S.C.P. (continued)

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 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

16 March 2021
Kuwait

# CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2020

| | *Notes* | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|---|
| Sales | | **116,403,161** | 159,537,423 |
| Cost of sales | 18 | **(106,814,888)** | (146,512,843) |
| Operating expenses | | **(9,082,506)** | (11,191,075) |
| **Gross profit** | | **505,767** | 1,833,505 |
| Other income | | **4,543,349** | 3,107,960 |
| Rental income | | **489,775** | 374,570 |
| Net investment income | 4 | **1,335,385** | 1,849,287 |
| Administrative expenses | | **(3,331,660)** | (3,042,813) |
| Provision for expected credit losses | 7 | **(361,396)** | (443,961) |
| Impairment of investment property | 11 | **(390,242)** | - |
| **PROFIT FOR THE YEAR BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST), ZAKAT AND DIRECTORS' REMUNERATION** | | **2,790,978** | 3,678,548 |
| Contribution to KFAS | | **(25,119)** | (33,035) |
| NLST | | **(69,774)** | (91,763) |
| Zakat | | **(27,910)** | (36,705) |
| Directors' remuneration | 12 | **(60,000)** | (60,000) |
| **PROFIT FOR THE YEAR** | | **2,608,175** | 3,457,045 |
| **BASIC AND DILUTED EARNINGS PER SHARE** | 5 | **6.45 fils** | 8.62 fils |

The attached notes 1 to 25 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| **Profit for the year** | **2,608,175** | 3,457,045 |
| **Other comprehensive loss** | | |
| *Items that will not be reclassified subsequently to consolidated statement of income:* | | |
| Net fair value loss on financial assets at fair value through other comprehensive Income | **(4,546,172)** | (4,022,143) |
| **Other comprehensive loss for the year** | **(4,546,172)** | (4,022,143) |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR** | **(1,937,997)** | (565,098) |

The attached notes 1 to 25 form part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

| | *Notes* | *2020 KD* | *2019 KD* |
|---|---|---|---|
| **ASSETS** | | | |
| Cash, bank balances and term deposits | 6 | **15,476,401** | 14,264,197 |
| Accounts receivable and prepayments | 7 | **3,179,950** | 4,266,848 |
| Inventories | | **805,235** | 728,475 |
| Investment securities | 8 | **24,261,863** | 34,261,542 |
| Property and equipment | 9 | **22,151,775** | 23,611,585 |
| Intangible assets | 10 | **12,626,770** | 11,737,135 |
| Investment properties | 11 | **4,077,484** | 4,509,083 |
| **TOTAL ASSETS** | | **82,579,478** | 93,378,865 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 12 | **40,470,758** | 40,470,758 |
| Statutory reserve | 13 | **5,627,098** | 5,348,000 |
| Voluntary reserve | 14 | **5,627,098** | 5,348,000 |
| Treasury shares | 15 | **(23,683)** | (760,279) |
| Treasury shares reserve | | **(293,796)** | - |
| Cumulative changes in fair value reserve | | **(4,326,951)** | 531,607 |
| Retained earnings | | **17,087,268** | 14,724,903 |
| **Total equity** | | **64,167,792** | 65,662,989 |
| **Liabilities** | | | |
| Term loan | | **-** | 6,000,000 |
| Employees' end of service benefits | | **997,780** | 932,369 |
| Accounts payable and accruals | 16 | **17,413,906** | 20,783,507 |
| **Total liabilities** | | **18,411,686** | 27,715,876 |
| **TOTAL EQUITY AND LIABILITIES** | | **82,579,478** | 93,378,865 |

Turaif Mohammad Baqer Al Awadhi
(Chairman)

Talal Ahmad Al-Khars
(Vice Chairman & CEO)

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

| | *Share capital KD* | *Statutory reserve KD* | *Voluntary reserve KD* | *Treasury shares KD* | *Treasury shares reserve KD* | *Cumulative change in fair value reserve KD* | *Retained earnings KD* | *Total KD* |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2020 | 40,470,758 | 5,348,000 | 5,348,000 | (760,279) | - | 531,607 | 14,724,903 | 65,662,989 |
| Profit for the year | - | - | - | - | - | - | 2,608,175 | 2,608,175 |
| Other comprehensive loss for the year | - | - | - | - | - | (4,546,172) | - | (4,546,172) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | (4,546,172) | 2,608,175 | (1,937,997) |
| Transfer of gain on disposal of equity investments at FVOCI to retained earnings | - | - | - | - | - | (312,386) | 312,386 | - |
| Sale of treasury shares | - | - | - | 736,596 | (293,796) | - | - | 442,800 |
| Transfer to reserves | - | 279,098 | 279,098 | - | - | - | (558,196) | - |
| **Balance at 31 December 2020** | **40,470,758** | **5,627,098** | **5,627,098** | **(23,683)** | **(293,796)** | **(4,326,951)** | **17,087,268** | **64,167,792** |
| | | | | | | | | |
| Balance at 1 January 2019 | 40,470,758 | 4,980,145 | 4,980,145 | (760,279) | - | 4,375,374 | 13,946,703 | 67,992,846 |
| Transition adjustment on adoption of IFRS 16 | - | - | - | - | - | - | 239,932 | 239,932 |
| Restated balance at 1 January 2019 | 40,470,758 | 4,980,145 | 4,980,145 | (760,279) | - | 4,375,374 | 14,186,635 | 68,232,778 |
| Profit for the year | - | - | - | - | - | - | 3,457,045 | 3,457,045 |
| Other comprehensive loss for the year | - | - | - | - | - | (4,022,143) | - | (4,022,143) |
| Total comprehensive (loss) income for the year | - | - | - | - | - | (4,022,143) | 3,457,045 | (565,098) |
| Cash dividend paid (Note 12) | - | - | - | - | - | - | (2,004,691) | (2,004,691) |
| Transfer of loss on disposal of equity investments at FVOCI to retained earnings | - | - | - | - | - | 178,376 | (178,376) | - |
| Transfer to reserves | - | 367,855 | 367,855 | - | - | - | (735,710) | - |
| Balance at 31 December 2019 | 40,470,758 | 5,348,000 | 5,348,000 | (760,279) | - | 531,607 | 14,724,903 | 65,662,989 |

The attached notes 1 to 25 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | Notes | 2020 KD | 2019 KD |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit for the year before contribution to KFAS, NLST, and Zakat and after Directors' remuneration | | **2,730,978** | 3,618,548 |
| *Adjustments to reconcile profit for the year to net cash flows:* | | | |
| Net investment income | 4 | **(1,448,271)** | (1,028,600) |
| Depreciation and amortisation | 9,10,11 | **3,466,547** | 3,689,043 |
| Provision for employees' end of service benefits | | **142,245** | 178,076 |
| Provision for expected credit losses | 7 | **361,396** | 443,961 |
| Unrealised loss (gain) from financial assets at fair value through profit or loss | 4 | **112,886** | (820,687) |
| Rent concession | | **(367,656)** | - |
| Impairment of investment property | 11 | **390,242** | - |
| | | **5,388,367** | 6,080,341 |
| *Changes in the working capital:* | | | |
| Inventories | | **(76,760)** | (139,431) |
| Accounts receivable and prepayments | | **931,897** | 1,170,141 |
| Accounts payable and accruals | | **(5,348,479)** | 3,752,609 |
| *Cash flows from operations* | | **895,025** | 10,863,660 |
| Employees' end of service benefits paid | | **(76,834)** | (100,009) |
| Net cash flows from operating activities | | **818,191** | 10,763,651 |
| **INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 9 | **(409,374)** | (3,113,706) |
| Additions to intangible assets | 10 | **(73,248)** | (975,385) |
| Purchase of investment securities | | **(8,214,948)** | (18,422,626) |
| Proceeds from sale of investment securities | | **13,914,633** | 5,874,303 |
| Term deposits | | **(1,383,479)** | (850,000) |
| Investment income received | | **1,448,271** | 1,028,600 |
| Net cash flows from (used in) investing activities | | **5,281,855** | (16,458,814) |
| **FINANCING ACTIVITIES** | | | |
| Term loan | | - | 6,000,000 |
| Repayment of term loan | | **(6,000,000)** | - |
| Sale of treasury shares | | **442,800** | - |
| Lease liability paid | | **(597,005)** | - |
| Cash dividend paid | | **(117,116)** | (2,004,691) |
| Net cash flows (used in) from financing activities | | **(6,271,321)** | 3,995,309 |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(171,275)** | (1,699,854) |
| Cash and cash equivalents at 1 January | | **5,114,197** | 6,814,051 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 6 | **4,942,922** | 5,114,197 |
| **Non-cash items excluded from the consolidated statement of cash flows:** | | | |
| Adjustments to lease liabilities | | **(2,578,788)** | - |
| Adjustments to right-of-use assets | 10 | **2,372,392** | - |
| Adjustments to right-of-use assets on sub-leasing | | **206,396** | - |

The attached notes 1 to 25 form part of these consolidated financial statements.

## 1 CORPORATE INFORMATION

Al Soor Fuel Marketing Company K.S.C.P. (the "Parent Company") is a Kuwaiti shareholding company incorporated on 20 March 2006 and commenced its operations on 9 May 2006. The Parent Company's shares were listed on the Kuwait Stock Exchange on 30 June 2008.

The consolidated financial statements of the Parent Company and its subsidiary (collectively the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors' on 16 March 2021 and are subject to the approval of the general assembly of shareholders. The ordinary general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after their issuance.

The consolidated financial statements of the Group for the year ended 31 December 2019 was approved by the shareholders of the Parent Company during the annual general assembly meeting held on 27 April 2020.

The Group conducts the following activities as set forth in Article No. 5 of the Parent Company's Articles of Association:

- Acquisition, establishment, leasing, operating, and maintenance of petrol stations;
- Establishing, developing, operating and maintaining customer service centers at petrol stations, to provide all automobile services including the changing of oil, car wash, maintenance workshop services and technical check-ups;
- The ability to fill and store fuel;
- To ship and trade in petroleum products in bulk or retail;
- The purchase, lease, acquisition, and sale of land and real estate in different locations for the purpose of compliance with the Parent Company's activities;

The head office of the Parent Company is P.O. Box 28396, Safat 13144, State of Kuwait.

The Parent Company is a subsidiary of Alfa Energy Company K.S.C. (Closed) (the "Ultimate Parent Company").

## 2.1 BASIS OF PREPARATION

**Statement of compliance**
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").

**Basis of measurement**
The consolidated financial statements of the Group are prepared under the historical cost convention as modified for the revaluation at fair value of investment securities.

**Functional and presentation currency**
The consolidated financial statements of the Group are presented in Kuwaiti Dinars ("KD"), which is the functional currency of the Parent Company.

## 2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2020.

### 2.2.1 New standards, interpretations and amendments

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 nature and effect of the changes as a result of adoption of these new accounting standards are described below.

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

## 2.2 CHANGES IN ACCOUNTING POLICIES (continued)

### 2.2.1 New standards, interpretations and amendments (continued)

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

**Amendments to IAS 1 and IAS 8: *Definition of Material***
The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

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

**Conceptual Framework for Financial Reporting issued on 29 March 2018**
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

**Early adoption of 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.

The Group has early adopted and applied the practical expedient effective from 1 May 2020 to all rent concessions that meet the conditions for it. As a result, the Group has elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification and has accounted the rent concessions as negative variable lease payment. During the year ended 31 December 2020, the Group recognised KD 367,656 in the consolidated statement of income.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Group.

### 2.2.2 Summary of accounting policies for new transactions and events

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

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

## 2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current**
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1, Presentation of financial statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

**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 Group is currently assessing the impact the amendments will have on the consolidated financial statements.

**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 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's consolidated financial statements.

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

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

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

## 2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary 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; and
- 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 arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company reporting date using consistent accounting policies. 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 interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

The subsidiary of the Group is as follows:

| *Name of the company* | *Country of incorporation* | *Principal activities* | *Interest in equity %* | |
|---|---|---|---|---|
| | | | ***2020*** | *2019* |
| Advantage Holding Company K.S.C. (Closed)* | *Kuwait* | *Operating Central Markets* | **96%** | 96% |

**Effective ownership percentage is 100% (2019: 100%).*

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue recognition**
The Group recognises revenue from the following major sources:
- Sale of fuel
- Rendering of services

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 goods and services to a customer. The Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price
- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied

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

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

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

*Sale of fuel*
Sale of fuel income is recognised when the Group satisfies performance obligations by transferring the controlled promised goods or services to its customers at an agreed rate.

*Rendering of services*
The Group earns service income from diverse range of services provided to its customers and is recognised at pre-agreed rates in accordance with the contractual terms.

*Interest income*
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Dividend income*
Dividend income is recognised when the Group's right to receive the payment is established, which is generally when shareholders approve the dividend.

*Rental income*
Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**Taxation**
*National Labour Support Tax (NLST)*
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year.

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

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

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and equipment**
Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any.

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

| | |
|---|---|
| ▸ Buildings on leasehold land | 15 years |
| ▸ Installations and equipment | 5-15 years |
| ▸ Furniture and fixtures | 1-5 years |
| ▸ Motor vehicles | 5 years |
| ▸ Right of use | 3 years |

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

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 income when the asset is derecognised.

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

**Intangible assets**
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

*The useful lives of intangible assets are assessed as either finite or indefinite.*
Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each reporting date.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing 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 consolidated statement of income in the expense category 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 cash-generating unit 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.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

*Goodwill*
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests 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 gain is recognised in the consolidated statement of income.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Intangible assets (continued)**

*Goodwill (continued)*

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

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

*Contracts backlog*

Contracts backlog acquired separately are measured at cost on initial recognition. Contracts backlog acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of Contracts backlog over their estimated useful lives (3 years).

The carrying amount of contracts backlog is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount.

*Leasehold right*

Leasehold right acquired is measured on initial recognition at cost. Following initial recognition, leasehold rights are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Leasehold right is amortised over their useful economic life (30 years) and assessed for impairment whenever there is an indication that the leasehold right may be impaired. The amortisation period and the amortisation method for leasehold right is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on leasehold rights is recognised in the consolidated statement of income.

Gains or losses arising from derecognition of an leasehold right are measured as the difference between the net disposal proceeds and the carrying amount of the right and are recognised in the consolidated statement of income when the asset is derecognised.

*License*

License acquired separately is measured at cost on initial recognition. License acquired in business combination have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of license over their estimated useful lives (30 years).

The carrying amount of license is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, an impairment loss is recognised in the consolidated statement of income, being the difference between carrying value and the asset's recoverable amount.

*Software*

Software acquired separately is measured at cost on initial recognition. The software has finite useful life and is carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated using straight line method to allocate the cost of software over its estimated useful life of 3 years. The carrying amount software is assessed and adjusted for impairment whenever there is an indication that it may be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investment properties**
Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment. The estimated life of the buildings is 40 years and is depreciated on a straight-line basis. Land on which the property is constructed is not depreciated.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

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 cost at the date of change in use.

**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 cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**Cash and short-term deposits**
Cash and short-term deposits in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less and subject to insignificant risk change in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, bank balances and short-term deposits, as defined above.

**Inventories**
Inventories are valued at the lower of cost and net realisable value. Cost includes the purchase price, import duties, transportation, handling and other direct costs. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments**
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of income.

***Financial assets***
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

*Classification of financial assets*
*Financial assets at amortised cost*
Financial assets such as accounts receivable, amount due from related parties and cash and cash equivalents that meet the following conditions are subsequently measured at amortised cost:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss except for equity instruments when the Group may make an irrevocable election/designation at initial recognition to recognize fair value in other comprehensive income.

*Amortised cost and effective interest method*
The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments at amortised cost, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

*Financial assets at FVOCI*
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial instruments (continued)**
***Financial assets (continued)***

*Financial assets at FVOCI (continued)*
Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair values reserve. The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of the equity investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVOCI on initial application of IFRS 9.

Dividends on these investments in equity instruments are recognised in consolidated statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

***Impairment of financial assets***
The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at FVOCI. The amount of expected credit losses is updated at each reporting date.

The Group always recognises lifetime ECL for trade receivables which generally do not have a significant financing component. 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. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a trade receivables.

*Credit-impaired financial assets at amortised cost*
A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

*Write-off of financial assets at amortised cost*
The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in consolidated statement of income.

*Measurement and recognition of expected credit losses*
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. 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; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date.

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, discounted at the original effective interest rate.

The Group recognises an impairment loss in consolidated statement of income for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

**2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Financial assets (continued)***

***Derecognition***
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Any cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognised in consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

***Financial liabilities***
All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include bank overdrafts, accounts payable and accruals and bank borrowings (term loans, murabaha payable and tawaruq payable).

***Subsequent measurement***
The subsequent measurement of financial liabilities depends on their classification as described below:

*Term loan*
Term loan is carried on the consolidated statement of financial position at their principal amount. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in accounts payable and accruals.

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

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

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

**Fair values of financial instruments**
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

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

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 minimizing the use of unobservable inputs.

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model and price to book model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 24 for further disclosures.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Fair values of financial instruments (continued)**
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

An analysis of fair value of financial instruments and further details as to how they are measured are provided in note 23.

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

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

**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 to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings and then to the statutory and voluntary reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

*i) Right-of-use assets*
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at, or before the commencement date less any lease incentives received.

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

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in impairment of non-financial assets.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leases (continued)**
***Group as a lessee (continued)***

*ii) Lease liabilities*
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

**Employees' end of service benefits**
The Group provides end of service benefits to 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.

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

**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.

**Segment reporting**
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenues and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance is consistent with the internal reports provided to the chief executive operation and the board of directors. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

**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 has elected to recycle the gain or loss that arises from using this method.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Foreign currencies (continued)**

*i) 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 the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to the consolidated statement of income.

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 gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the consolidated statement of income.

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.

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

**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.

## 3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Group has used judgment and estimates principally in, but not limited to, the following:

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

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Earnings multiples;
- Price to book multiples;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Underlying net asset base of the investment; or
- Other valuation models

The determination of the cash flows, earnings multiples, price to book multiples and discount factors for unquoted equity securities requires significant estimation.

**3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

*Impairment of trade receivables*
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

*Impairment of financial assets at amortised cost*
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. 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

*Impairment of inventories*
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

*Impairment of non-financial assets*
An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income.

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

Factors that are considered important which could trigger an impairment review include the following:
- significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- significant changes in the technology and regulatory environments; and
- evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

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

*Impairment of goodwill and intangible assets with finite and indefinite useful life*
Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment whenever there is an indication that an intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing 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 consolidated statement of income as the expense category that is consistent with the function of the intangible assets.

The Group determines whether goodwill and intangible assets with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 4 NET INVESTMENT INCOME

| | 2020 KD | 2019 KD |
|---|---|---|
| Interest income | **295,824** | 379,921 |
| Unrealised (loss) gain from financial assets at fair value through profit or loss | **(112,886)** | 820,687 |
| Dividend income | **794,905** | 595,505 |
| Realized gain on sale of financial assets at fair value through profit or loss | **357,542** | 53,174 |
| | **1,335,385** | 1,849,287 |

## 5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares). Diluted earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year (excluding treasury shares) plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. The Parent Company did not have any diluted shares as at 31 December. The information necessary to calculate basic and diluted earnings per share based on the weighted average number of shares outstanding, less treasury shares, during the year is as follows:

| | 2020 | 2019 |
|---|---|---|
| Profit for the year (KD) | **2,608,175** | 3,457,045 |
| Weighted average number of ordinary shares outstanding during the year (excluding treasury shares) | **404,443,889** | 400,991,834 |
| Basic and diluted earnings per share | **6.45 fils** | 8.62 fils |

## 6 CASH, BANK BALANCES AND TERM DEPOSITS

Cash, bank balances and term deposits included in the consolidated statement of cash flows include the following consolidated statement of financial position amounts:

| | 2020 KD | 2019 KD |
|---|---|---|
| Cash | **5,772** | 2,573 |
| Bank balances | **4,187,150** | 4,261,624 |
| Term deposits | **11,283,479** | 10,000,000 |
| | **15,476,401** | 14,264,197 |
| Term deposits (maturity after 3 months from placement date) | **(10,533,479)** | (9,150,000) |
| | **4,942,922** | 5,114,197 |

Term deposits are placed with local banks denominated in KD and carry an effective interest rate of 1.50% (2019: 2.55%) per annum.

## 7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

| | 2020 KD | 2019 KD |
|---|---|---|
| Trade receivables, net | **1,679,700** | 2,526,145 |
| Advance payment, net | **822,758** | 1,281,944 |
| Prepaid expenses | **101,668** | 117,293 |
| Other receivables, net | **575,824** | 341,466 |
| | **3,179,950** | 4,266,848 |

## 7 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

Movements in the allowance for expected credit losses of trade receivables were as follows:

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Opening balance | **2,743,969** | 2,300,008 |
| Charge for the year based on lifetime ECL | **29,219** | 443,961 |
| | **2,773,188** | 2,743,969 |

As at 31 December 2020, trade receivables of KD 2,773,188 (2019: KD 2,743,969) were impaired and fully provided for.

As at 31 December 2020, advance payment of KD 80,750 (2019: KD Nil) were impaired and fully provided for.

As at 31 December 2020, Other receivables of KD 299,144 (2019: KD 47,717) were impaired and fully provided for.

Trade receivables aging and the expected credit loss are disclosed in Note 20.

## 8 INVESTMENT SECURITIES

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Managed portfolio (local quoted equity securities) | **13,410,130** | 18,915,954 |
| Managed portfolio (local unquoted equity securities) | **9,777,566** | 11,668,651 |
| Local unquoted equity securities | **1,074,167** | 3,676,937 |
| | **24,261,863** | 34,261,542 |

As at 31 December 2020, investment securities amounting to KD 14,260,430 (2019: KD 16,264,704) are managed by a related party (Note 18).

As at 31 December 2020, investment securities of KD 7,535,255 (2019: KD 15,101,256) are in related party entities (Note 18).

Hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 23.

## 9 PROPERTY AND EQUIPMENT

| | *Buildings on leasehold land KD* | *Installations and equipment KD* | *Furniture and fixtures KD* | *Motor vehicles KD* | *Capital work in progress KD* | *Right-of-use assets KD* | *Total KD* |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| At 1 January 2020 | 20,262,190 | 8,543,007 | 1,612,084 | 112,629 | 5,914,847 | 227,690 | 36,672,447 |
| Additions | - | 120,888 | 25,149 | - | 263,337 | - | 409,374 |
| Transfers | - | 31,372 | - | - | (31,372) | - | - |
| At 31 December 2020 | 20,262,190 | 8,695,267 | 1,637,233 | 112,629 | 6,146,812 | 227,690 | 37,081,821 |
| Depreciation: | | | | | | | |
| At 1 January 2020 | 3,593,080 | 7,718,516 | 1,596,694 | 71,766 | - | 80,806 | 13,060,862 |
| Charged for the year | 1,335,383 | 421,577 | 21,992 | 9,632 | - | 80,600 | 1,869,184 |
| At 31 December 2020 | 4,928,463 | 8,140,093 | 1,618,686 | 81,398 | - | 161,406 | 14,930,046 |
| Net carrying amount: | | | | | | | |
| **At 31 December 2020** | **15,333,727** | **555,174** | **18,547** | **31,231** | **6,146,812** | **66,284** | **22,151,775** |
| Cost: | | | | | | | |
| At 1 January 2019 | 14,890,904 | 8,137,837 | 1,591,691 | 77,464 | 8,860,845 | - | 33,558,741 |
| Impact of adopting IFRS 16 at 1 January 2019 | - | - | - | - | - | 227,690 | 227,690 |
| As at 1 January 2019 *(restated)* | 14,890,904 | 8,137,837 | 1,591,691 | 77,464 | 8,860,845 | 227,690 | 33,786,431 |
| Additions | - | 264,904 | 20,393 | 35,165 | 2,565,554 | - | 2,886,016 |
| Transfers | 5,371,286 | 140,266 | - | - | (5,511,552) | - | - |
| At 31 December 2019 | 20,262,190 | 8,543,007 | 1,612,084 | 112,629 | 5,914,847 | 227,690 | 36,672,447 |
| Depreciation: | | | | | | | |
| At 1 January 2019 | 2,279,683 | 6,958,919 | 1,582,925 | 65,636 | - | - | 10,887,163 |
| Charged for the year | 1,313,397 | 759,597 | 13,769 | 6,130 | - | 80,806 | 2,173,699 |
| At 31 December 2019 | 3,593,080 | 7,718,516 | 1,596,694 | 71,766 | - | 80,806 | 13,060,862 |
| Net carrying amount: | | | | | | | |
| At 31 December 2019 | 16,669,110 | 824,491 | 15,390 | 40,863 | 5,914,847 | 146,884 | 23,611,585 |

Fuel stations and buildings on leasehold land (holding on leasehold land) are constructed on land leased from the Government of Kuwait. Capital work in progress represents major renovations and significant improvements being carried out at the fuel stations. Notwithstanding the contractual term of the lease for leasehold land, these are amortised over 30 years based on common practice in Kuwait for similar lands. Certain leasehold lands are registered in the name of related parties who have confirmed in writing that the Group is the beneficial owner of these leasehold lands.

Depreciation expense is allocated between operating expenses of KD 1,847,192 (2019: KD 2,159,929) and administrative expenses of KD 21,992 (2019: KD 13,769) in the consolidated statement of income.

## 10 INTANGIBLE ASSETS

| | *Goodwill KD* | *Contracts Backlog KD* | *Leasehold rights KD* | *Licenses KD* | *Software KD* | *Right-of-use assets KD* | *Total KD* |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| At 1 January 2020 | 210,483 | 555,877 | 19,087,811 | 1,725,128 | 363,494 | 975,385 | 22,918,178 |
| Additions | - | - | - | - | 73,248 | 2,372,393 | 2,445,641 |
| At 31 December 2020 | 210,483 | 555,877 | 19,087,811 | 1,725,128 | 436,742 | 3,347,778 | 25,363,819 |
| Amortisation: | | | | | | | |
| At 1 January 2020 | - | 555,876 | 8,695,560 | 785,892 | 363,493 | 780,222 | 11,181,043 |
| Charged for the year | - | - | 636,260 | 57,504 | 22,381 | 839,861 | 1,556,006 |
| At 31 December 2020 | - | 555,876 | 9,331,820 | 843,396 | 385,874 | 1,620,083 | 12,737,049 |
| Net carrying amount: | | | | | | | |
| **At 31 December 2020** | **210,483** | **1** | **9,755,991** | **881,732** | **50,868** | **1,727,695** | **12,626,770** |
| Cost: | | | | | | | |
| At 1 January 2019 | 210,483 | 555,877 | 19,087,811 | 1,725,128 | 363,494 | - | 21,942,793 |
| Impact of adopting IFRS 16 at 1 January 2019 | - | - | - | - | - | 975,385 | 975,385 |
| As at 1 January 2019 *(restated)* | 210,483 | 555,877 | 19,087,811 | 1,725,128 | 363,494 | 975,385 | 22,918,178 |
| At 31 December 2019 | 210,483 | 555,877 | 19,087,811 | 1,725,128 | 363,494 | 975,385 | 22,918,178 |
| Amortisation: | | | | | | | |
| At 1 January 2019 | - | 555,876 | 8,059,300 | 728,388 | 363,493 | - | 9,707,057 |
| Charged for the year | - | - | 636,260 | 57,504 | - | 780,222 | 1,473,986 |
| At 31 December 2019 | - | 555,876 | 8,695,560 | 785,892 | 363,493 | 780,222 | 11,181,043 |
| Net carrying amount: | | | | | | | |
| At 31 December 2019 | 210,483 | 1 | 10,392,251 | 939,236 | 1 | 195,163 | 11,737,135 |

Amortisation expense is allocated between operating expenses of KD 1,533,625 (2019: KD 1,473,985) and administrative expenses of KD 22,381 (2019: KD Nil) in the consolidated statement of income.

## 11 INVESTMENT PROPERTIES

| | *Freehold land KD* | *Buildings KD* | *Total KD* |
|---|---|---|---|
| Cost: | | | |
| At 1 January 2020 | 3,474,033 | 1,404,336 | 4,878,369 |
| At 31 December 2020 | 3,474,033 | 1,404,336 | 4,878,369 |
| Depreciation: | | | |
| At 1 January 2020 | - | 369,286 | 369,286 |
| Charge for the year | - | 41,357 | 41,357 |
| At 31 December 2020 | - | 410,643 | 410,643 |
| Impairment: | | | |
| At 1 January 2020 | - | - | - |
| Charge for the year | - | 390,242 | 390,242 |
| At 31 December 2020 | - | 390,242 | 390,242 |
| Net carrying amount: | | | |
| **At 31 December 2020** | **3,474,033** | **603,451** | **4,077,484** |
| Cost: | | | |
| At 1 January 2019 | 3,474,033 | 1,404,336 | 4,878,369 |
| At 31 December 2019 | 3,474,033 | 1,404,336 | 4,878,369 |
| Depreciation: | | | |
| At 1 January 2019 | - | 327,928 | 327,928 |
| Charge for the year | - | 41,358 | 41,358 |
| At 31 December 2019 | - | 369,286 | 369,286 |
| Net carrying amount: | | | |
| At 31 December 2019 | 3,474,033 | 1,035,050 | 4,509,083 |

As at 31 December 2020, the fair value of the investment properties amounted to KD 5,004,000 (2019: KD 5,640,000), accordingly, an impairment loss of KD 390,242 (2019: Nil) has been recorded in the consolidated statement of statement of income against certain investment properties.

The fair value of the investment properties has been determined based on valuations obtained from two independent valuers, who are an industry specialised in valuing these types of investment properties, one of these valuers is a local bank.

Both valuators have used the following method:

- Developed properties which generate rental income have been valued using the income capitalisation approach assuming full capacity of the property.

All investment properties are considered under level 3 for the fair value hierarchy, and there were no transfers between level 1 and level 2 fair value measurements and no transfer into and out of level 3 fair value measurements.

Investment properties with total amount of KD 2,602,484 (2019: KD 2,822,284) is registered in the name of a related party (Note 18), which confirmed in writing that the Group has the beneficial ownership of those properties.

Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Significant increases (decreases) in estimated price per square meter, estimated rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

## 12 SHARE CAPITAL, CASH DIVIDEND AND BONUS SHARES

| | *Authorised, issued and fully paid* | |
|---|---|---|
| | ***2020*** | *2019* |
| | ***KD*** | *KD* |
| 404,707,581 shares (2019: 404,707,581) of 100 fils paid in cash and issue of bonus shares | **40,470,758** | 40,470,758 |

***Cash dividend and Directors' remuneration***

The Annual General Assembly Meeting held on 27 April 2020, did not approve the distribution of cash dividend for the year ended 31 December 2019 (2018: approved a distribution of 5% cash dividend of the nominal value of shares by 5 fils per share of KD 2,004,691).

The Annual General Assembly Meeting held on 27 April 2020 did not approve the distribution of directors' remuneration for the year ended 31 December 2019 (2018: approved to distribute a directors' remuneration of KD 55,000), accordingly, the unutilized amount of KD 60,000 has been reversed to other income during the year.

The Board of Directors of the Group has proposed directors' remuneration of KD 60,000, which is within the amount permissible under local regulations and are subject to approval by annual Ordinary General Assembly Meeting of the Group's shareholders.

The Board of Directors of the Parent Company has proposed a distribution of 5% cash dividends of the nominal value of shares, by 5 fils per share for the year ended 31 December 2020 (2019: 5% cash dividends of the nominal value of shares, by 5 fils per share) and is subject to approval by Annual Ordinary General Assembly Meeting of the Parent Company's shareholders.

## 13 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 contribution to KFAS, NLST, Zakat and 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.

## 14 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 contribution to KFAS, NLST, Zakat and Directors' remuneration is transferred to voluntary reserve. The Annual General Assembly of shareholders may, upon a recommendation by the Board of Directors, resolve to discontinue such annual transfers.

## 15 TREASURY SHARES

| | ***2020*** | *2019* |
|---|---|---|
| Number of treasury shares | **115,747** | 3,715,747 |
| Percentage of ownership | **0.03%** | 0.92% |
| Market value (KD) | **14,121** | 464,468 |

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

## 16 ACCOUNTS PAYABLE AND ACCRUALS

| | *2020 KD* | *2019 KD* |
|---|---|---|
| Trade payables | **10,239,907** | 14,779,684 |
| Accrued expenses | **3,626,233** | 2,382,481 |
| Dividend payables | **1,888,997** | 2,006,113 |
| Advances from customers | **1,658,769** | 1,615,229 |
| | **17,413,906** | 20,783,507 |

Trade payable amounting to KD 9,202,922 (2019: KD 12,814,174) are due to a related party (Note 18).

## 17 CONTINGENCIES AND COMMITMENTS

| | *2020 KD* | *2019 KD* |
|---|---|---|
| Letters of guarantee | **8,318,447** | 6,107,876 |
| Capital commitments | **265,377** | 512,702 |

The Group has entered into several lease arrangements, mainly for renting of land over which fuel stations are constructed.

## 18 RELATED PARTY BALANCES TRANSACTIONS

Related parties represent i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the management and board of directors.

Transactions with related parties included in the consolidated statement of income are as follows:

| ***2020*** | ***Entities under common control KD*** | ***Major shareholder KD*** | ***Total KD*** |
|---|---|---|---|
| Cost of sales (purchase of fuel) | - | **106,814,888** | **106,814,888** |
| Operating expenses | **60,889** | - | **60,889** |
| Administrative expenses | **640,055** | - | **640,055** |

| *2019* | *Entities under common control KD* | *Major shareholder KD* | *Total KD* |
|---|---|---|---|
| Cost of sales (purchase of fuel) | - | 146,512,843 | 146,512,843 |
| Operating expenses | 399,047 | - | 399,047 |
| Administrative expenses | 730,449 | - | 730,449 |
| Gain from sale of an associate | - | - | - |

Balances with related parties included in the consolidated statement of financial position are as follows:

| ***2020*** | ***Entities under common control KD*** | ***Major shareholder KD*** | ***Total KD*** |
|---|---|---|---|
| Accounts receivable and prepayments* | **64,365** | - | **64,365** |
| Accounts payable and accruals* | **9,202,922** | - | **9,202,922** |
| Investment securities | **7,535,255** | - | **7,535,255** |

## 18 RELATED PARTY BALANCES TRANSACTIONS (continued)

| *2019* | *Entities under common control KD* | *Major shareholder KD* | *Total KD* |
|---|---|---|---|
| Accounts receivable and prepayments* | 126,762 | - | 126,762 |
| Accounts payable and accruals* | 12,814,174 | - | 12,814,174 |
| Investment securities | 15,101,256 | - | 15,101,256 |

Investment properties with a carrying value of KD 2,602,484 (2019: KD 2,822,284) is registered in the name of related party (Note 11), which confirmed in writing that the Group has the beneficial ownership of those properties.

Investment securities amounting to KD 14,260,430 (2019: KD 16,264,704) are managed by a related party (Note 8).

* Amounts due to/from entities under common control that are interest free and due within one year from the reporting date.

| ***Key management compensation*** | ***2020 KD*** | *2019 KD* |
|---|---|---|
| Short-term benefits | **384,350** | 383,637 |
| Employees' end of service benefits | **32,639** | 32,639 |
| | **416,989** | 416,276 |

## 19 SEGMENTAL INFORMATION

For management purposes, the Group is organized into business units based on their products and services, and has two reportable operating segments as follows:

- Fuel marketing and other related services – represents the sale of fuel and other related services arising from fuel stations.
- Investment operations – represents investment in managed portfolio, short-term money market placements and real estate.

| ***31 December 2020*** | ***Fuel marketing and other related services KD*** | ***Investment operations KD*** | ***Unallocated KD*** | ***Total KD*** |
|---|---|---|---|---|
| **Segment revenue** | **120,946,510** | **1,825,160** | **-** | **122,771,670** |
| **Depreciation and amortization** | **3,233,081** | **211,474** | **21,992** | **3,466,547** |
| **Segment results** | **1,717,456** | **1,825,160** | **(934,441)** | **2,608,175** |

| *31 December 2019* | *Fuel marketing and other related services KD* | *Investment operations KD* | *Unallocated KD* | *Total KD* |
|---|---|---|---|---|
| Segment revenue | 162,645,383 | 2,184,925 | - | 164,830,308 |
| Depreciation and amortization | 3,489,475 | 185,798 | 13,769 | 3,689,042 |
| Segment results | 2,810,365 | 2,184,925 | (1,538,245) | 3,457,045 |

## 19 SEGMENTAL INFORMATION (continued)

| | *Fuel marketing and other related services KD* | *Investment operations KD* | *Unallocated KD* | *Total KD* |
|---|---|---|---|---|
| **Segment assets as at 31 December 2020** | **43,706,652** | **38,872,826** | - | **82,579,478** |
| **Segment liabilities as at 31 December 2020** | **17,265,144** | **148,762** | **997,780** | **18,411,686** |
| Segment assets as at 31 December 2019 | 44,608,240 | 48,770,625 | - | 93,378,865 |
| Segment liabilities as at 31 December 2019 | 20,599,608 | - | 7,116,268 | 27,715,876 |
| **Other disclosures as at 31 December 2020** | | | | |
| **Capital expenditure** | **2,855,015** | - | - | **2,855,015** |
| **Investment securities** | - | **8,204,757** | - | **8,204,757** |
| Other disclosures as at 31 December 2019 | | | | |
| Capital expenditure | 4,089,091 | - | - | 4,089,091 |
| Investment securities | - | 5,917,784 | - | 5,917,784 |

## 20 FINANCIAL 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. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Group's policy is to monitor those business risks through Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2020 and 2019.

### 20.1 Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances, fixed deposits and accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

***Maximum exposure to credit risk***

The Group's exposure to credit risk from bank balances, fixed deposits and accounts receivable arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The maximum exposure is the carrying amount as described in the consolidated statement of financial position.

The maximum exposure to credit risk at the reporting date was:

| | ***2020 KD*** | *2019 KD* |
|---|---|---|
| Cash, bank balances and term deposits | **15,476,401** | 14,264,197 |
| Trade and other receivables | **2,255,524** | 2,867,611 |
| | **17,731,925** | 17,131,808 |

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 20.1 Credit risk

***Risk concentration of maximum exposure to credit risk***
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Concentration of credit risk is represented by one major customer representing 35% (2019: 24%) of the trade receivables balance.

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

| ***31 December 2020*** | **Trade receivables** | | | | |
|---|---|---|---|---|---|
| | *Days past due* | | | | |
| | ***0-90 days KD*** | ***91-180 days KD*** | ***180 -270 days KD*** | ***More than 270 days KD*** | ***Total KD*** |
| Estimated total gross carrying amount at default | **2,046,219** | **790,940** | **70,335** | **1,545,394** | **4,452,888** |
| Estimated credit loss | **366,519** | **790,940** | **70,335** | **1,545,394** | **2,773,188** |
| Expected credit loss rate | **18%** | **100%** | **100%** | **100%** | |

| *31 December 2019* | Trade receivables | | | | |
|---|---|---|---|---|---|
| | *Days past due* | | | | |
| | *0-90 days KD* | *91-180 days KD* | *180 -270 days KD* | *More than 270 days KD* | *Total KD* |
| Estimated total gross carrying amount at default | 2,521,567 | 916,576 | 439,231 | 1,392,740 | 5,270,114 |
| Estimated credit loss | - | 911,998 | 439,231 | 1,392,740 | 2,743,969 |
| Expected credit loss rate | - | 99.5% | 100% | 100% | |

### 20.2 Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assess the financial viability of the receivables and ensures that adequate bank facilities are available.

The management has built an appropriate liquidity risk management framework for the management of the Group's short and medium funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets.

All the financial liabilities of the Group are due within one year from the consolidated statement of financial position date.

**20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**20.2 Liquidity risk (continued)**

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

| | ***Within 3 months KD*** | ***3 to 12 months KD*** | ***Total KD*** |
|---|---|---|---|
| ***2020*** | | | |
| Accounts payable and accruals (excluding advances from customers) | **12,128,904** | **3,626,233** | **15,755,137** |
| | **12,128,904** | **3,626,233** | **15,755,137** |

| | *Within 3 months KD* | *3 to 12 months KD* | *Total KD* |
|---|---|---|---|
| *2019* | | | |
| Accounts payable and accruals (excluding advances from customers) | 16,785,797 | 2,382,481 | 19,168,278 |
| | 16,785,797 | 2,382,481 | 19,168,278 |

**20.3 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of foreign currency risk, interest rate risk and equity price risk. The sensitivity analyses in the following sections relate to the position as at 31 December in 2020 and 2019.

**20.3.1 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's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency).

At the reporting date, the Group is not exposed to foreign currency risk as majority of the assets and liabilities are denominated in Kuwaiti Dinars.

**20.3.2 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. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's term loan obligation with fixed interest rates.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (short term deposit, term loan).

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit, based on fixed interest rates and financial liabilities held at 31 December. The following table demonstrates the sensitivity of the consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

| | *Increase in basis points* | *Effect on profit for the year KD* |
|---|---|---|
| **2020** | **+100** | **112,835** |
| 2019 | +100 | 40,000 |

**20.3.3 Equity price risk**

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The Group is exposed to equity price risk on its quoted investment securities. The Group manages this risk through diversification of investments in terms of industry concentration.

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 20.3 Market risk (continued)

#### 20.3.3 Equity price risk (continued)

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

| | *Market indices* | *Increase/decrease in stock prices (%)* | *Effect on OCI KD* | *Effect on profit for the year KD* |
|---|---|---|---|---|
| ***2020*** | | | | |
| **Investment securities** | **Kuwait** | **± 5** | **± 595,682** | **± 35,050** |
| | *Market indices* | *Increase/decrease in stock prices (%)* | *Effect on OCI KD* | *Effect on profit for the year KD* |
| *2019* | | | | |
| Investment securities | Kuwait | ± 5 | ± 167,525 | ± 387,289 |

## 21 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

Capital comprises of share capital, statutory reserve, voluntary reserve, treasury shares, cumulative change in fair value reserve and retained earnings and is measured at KD 64,167,792 as at 31 December 2020 (2019: KD 65,662,989).

## 22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturity profile of, accounts receivable and prepayments, accounts payable and accruals at the year-end is based on contractual repayment arrangements. The maturity profile for the remaining assets and liabilities is determined based on the management estimate of liquidation of those assets.

| ***31 December 2020*** | ***Within 3 months KD*** | ***3 to 12 months KD*** | ***1 to 5 years KD*** | ***Total KD*** |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash, bank balances and term deposits | 4,942,922 | 10,533,479 | - | **15,476,401** |
| Accounts receivable and prepayments | - | 3,179,950 | - | **3,179,950** |
| Inventories | - | 805,235 | - | **805,235** |
| Investment securities | - | 2,464,172 | 21,797,691 | **24,261,863** |
| Property and equipment | - | - | 22,151,775 | **22,151,775** |
| Intangible assets | - | - | 12,626,770 | **12,626,770** |
| Investment properties | - | - | 4,077,484 | **4,077,484** |
| **TOTAL ASSETS** | **4,942,922** | **16,982,836** | **60,653,720** | **82,579,478** |
| **Liabilities** | | | | |
| Employees end of service benefits | - | - | 997,780 | **997,780** |
| Accounts payable and accruals | 12,128,904 | 5,285,002 | - | **17,413,906** |
| **TOTAL LIABILITIES** | **12,128,904** | **5,285,002** | **997,780** | **18,411,686** |

## 22 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

| *31 December 2019* | *Within 3 months KD* | *3 to 12 months KD* | *1 to 5 years KD* | *Total KD* |
|---|---|---|---|---|
| Assets | | | | |
| Cash, bank balances and term deposits | 5,114,197 | 9,150,000 | - | 14,264,197 |
| Accounts receivable and prepayments | - | 4,266,848 | - | 4,266,848 |
| Inventories | - | 728,475 | - | 728,475 |
| Investment securities | | 14,319,901 | 19,941,641 | 34,261,542 |
| Property and equipment | - | - | 23,611,585 | 23,611,585 |
| Intangible assets | - | - | 11,737,135 | 11,737,135 |
| Investment properties | - | - | 4,509,083 | 4,509,083 |
| TOTAL ASSETS | 5,114,197 | 28,465,224 | 59,799,444 | 93,378,865 |
| Liabilities | | | | |
| Term loan | - | 6,000,000 | - | 6,000,000 |
| Employees end of service benefits | - | - | 932,369 | 932,369 |
| Accounts payable and accruals | 16,785,798 | 3,997,709 | - | 20,783,507 |
| TOTAL LIABILITIES | 16,785,798 | 9,997,709 | 932,369 | 27,715,876 |

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investment securities, accounts receivable, cash, bank balances and term deposits. Financial liabilities consist of accounts payable and accruals and term loans.

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

| ***2020*** | ***Level 1 KD*** | ***Level 3 KD*** | ***Total KD*** |
|---|---|---|---|
| ***Investment securities*** | | | |
| **Managed portfolio (local quoted equity securities)** | **13,410,130** | **-** | **13,410,130** |
| **Managed portfolio (local unquoted equity securities)** | **-** | **9,777,566** | **9,777,566** |
| **Local unquoted securities** | **-** | **1,074,167** | **1,074,167** |
| | **13,410,130** | **10,851,733** | **24,261,863** |

| *2019* | *Level 1 KD* | *Level 3 KD* | *Total KD* |
|---|---|---|---|
| *Investment securities* | | | |
| Managed portfolio (local quoted equity securities) | 18,915,954 | - | 18,915,954 |
| Managed portfolio (local unquoted equity securities) | - | 11,668,651 | 11,668,651 |
| Local unquoted securities | - | 3,676,937 | 3,676,937 |
| | 18,915,954 | 15,345,588 | 34,261,542 |

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

| *2020* | ***As at 1 January 2020 KD*** | ***Gain (loss) recorded in other comprehensive income KD*** | ***Gain recorded in profit or loss KD*** | ***Net purchases, (sales) and settlements KD*** | ***Reclassed under managed portfolio KD*** | ***As at 31 December 2020 KD*** |
|---|---|---|---|---|---|---|
| *Investment securities* | | | | | | |
| Managed portfolio (local unquoted equity securities) | **11,668,651** | **279,697** | **32,336** | **(2,783,926)** | **580,808** | **9,777,566** |
| Local unquoted securities | **3,676,937** | **(2,021,962)** | - | - | **(580,808)** | **1,074,167** |

| *2019* | *As at 1 January 2019 KD* | *Loss recorded in other comprehensive income KD* | *Net purchases, (sales) and settlements KD* | *Transfer to Level 1 KD* | *As at 31 December 2019 KD* |
|---|---|---|---|---|---|
| *Investment securities* | | | | | |
| Managed portfolio (local unquoted equity securities) | 14,187,550 | (3,381,987) | 863,088 | - | 11,668,651 |
| Local unquoted securities | 3,789,343 | (112,406) | - | - | 3,676,937 |

The Group has performed a sensitivity analysis to the range of significant unobservable inputs used in the fair value measurements during the period. Based on such analysis, there is no material impact on consolidated financial statements.

Set out below are the significant unobservable inputs to valuation of the non-listed equity investments as at 31 December 2020:

| **Significant unobservable valuation inputs** | **Range** | **Sensitivity of the input to fair value** |
|---|---|---|
| Sector PBV multiple | 0.43-1.09 | 2% increase / (decrease) in the Sector PBV multiple would result in an increase / (decrease) in fair value by KD 201,569. |
| Discount for lack of marketability (DLOM) | 20% | 2% increase (decrease) in the discount would decrease (increase) the fair value by KD 286,076. |

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

## 24 IMPACT OF COVID-19 OUTBREAK

Coronavirus pandemic (COVID-19), which began to spread by the beginning of 2020 and witnessed a rise in the number of cases in most countries worldwide, including Kuwait, has negatively impacted most businesses and economics in addition to its impact on the sharp drop in the global oil prices, which in general, tend to affect the economic growth heavily. In the absence of a specific treatment for this virus, it is difficult to predict the period of closure for some businesses, the partial curfews and the suspension of flights that were recommended by the governmental bodies in Kuwait and most of the countries worldwide.

Given the persistent volatility, the extent and duration of these trade and economic effects remains uncertain and depends on future developments that currently cannot be quantified accurately. These developments include the rate at which coronavirus is transmitted, the extent and effectiveness of containments, the movement in product prices, demand, and the overall pace of the global economies' movement. Accordingly, the economic and commercial impacts on the Group's operations cannot be reliably assessed until the date of issuance of these consolidated financial statements. In this context the Group has taken into account whether any adjustments or changes in judgements, estimates, and risk management should be necessarily considered as well as recorded in the consolidated financial statements.

Accordingly, the Group continued to develop assumptions, development scenarios, impacts and developments as part of the operational results and cash flows for future reporting periods that may have a substantial impact and material adjustments on the consolidated financial statements. The main assumptions are as follows:

*Impairment of non-financial assets*
The Group has considered any impairment indicators or any significant uncertainties impacting its inventories, property and equipment and intangible assets especially arising from any change in lease terms and concluded that there is no material impact of COVID-19.

## 25 COMPARATIVE FIGURES

Certain comparative figures were regrouped in order to conform to current year's presentation. Such regroupings have no effect on previously reported loss or total equity.