North Africa Holding Company K.S.C. (Closed) and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

Building a better working world

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORTH AFRICA HOLDING COMPANY K.S.C. (CLOSED)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of North Africa Holding Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow 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 2019, 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' *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.

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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORTH AFRICA HOLDING COMPANY K.S.C. (CLOSED) (continued)

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NORTH AFRICA HOLDING COMPANY K.S.C. (CLOSED) (continued)

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

Report on Other Legal and Regulatory Matters

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2019 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)

19 July 2020
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 KD	2018 KD
ASSETS			
Non-current assets			
Property, plant and equipment	4	373,296	374,758
Investment properties	5	1,042,013	1,053,703
Interest in joint ventures	6	4,016,282	3,944,529
		5,431,591	5,372,990
Current assets			
Bank balances and cash	7	2,385,485	2,278,806
Financial assets at fair value through profit or loss	8	70,300	122,790
Financial assets at fair value through other comprehensive income	9	3,513,596	6,624,027
Accounts receivable and prepayments	10	11,649,709	7,366,392
Inventories	11	1,609,582	1,664,848
		19,228,672	18,056,863
TOTAL ASSETS		24,660,263	23,429,853
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	28,000,000	50,000,000
Statutory reserve	12	-	256,851
Foreign currency translation reserve		(7,358,363)	(7,851,631)
Cumulative changes in fair values		(9,732,397)	(7,944,463)
Other reserve	12	-	1,130,150
Accumulated losses		(1,339,213)	(23,338,786)
Equity attributable to equity holders of the Parent Company		9,570,027	12,252,121
Non-controlling interest	3	543,842	506,057
TOTAL EQUITY		10,113,869	12,758,178
LIABILITIES			
Non-current liabilities			
Term loan	13	1,174,622	1,583,816
Employees' end of service benefits		92,956	121,459
		1,267,578	1,705,275
Current liabilities			
Accounts payable and accruals	14	9,520,488	5,903,512
Short term loans	13	3,758,328	3,062,888
		13,278,816	8,966,400
TOTAL LIABILITIES		14,546,394	10,671,675
TOTAL EQUITY AND LIABILITIES		24,660,263	23,429,853

Fuad Akbar
Chairman

Tariq Abdulsalam
Vice-Chairman

The attached notes 1 to 20 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	*2019 KD*	*2018 KD*
Sale of goods		**15,906,455**	17,407,414
Cost of sales		**(14,479,975)**	(15,895,720)
GROSS PROFIT		**1,426,480**	1,511,694
Interest income		**64,020**	54,688
Unrealised loss on financial assets at fair value through profit or loss		**(40,809)**	(44,112)
Realised gain on financial assets at fair value through profit or loss		**55,900**	1,320
Unrealised loss on investment properties	5	**(11,690)**	(18,592)
Share of results of joint ventures	6	**(355,313)**	(1,017,548)
Dividend income		**168,824**	350,136
Interest expense		**(653,557)**	(615,952)
Administrative expenses		**(1,411,509)**	(1,441,449)
Foreign exchange income		**33,849**	36,472
Other income		**160,342**	45,334
Provision for impairment of investment in joint ventures	6	**-**	(253,510)
LOSS BEFORE TAXATION		**(563,463)**	(1,391,519)
Taxation on overseas subsidiaries		**(24,378)**	(29,140)
LOSS FOR THE YEAR	15	**(587,841)**	(1,420,659)
Attributable to:			
Equity holders of the Parent Company		**(571,376)**	(1,447,450)
Non-controlling interest		**(16,465)**	26,791
		(587,841)	(1,420,659)

The attached notes 1 to 20 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	*2019* *KD*	*2018* *KD*
Loss for the year		**(587,841)**	(1,420,659)
Other comprehensive loss:			
Items that are or may be reclassified subsequently to consolidated statement of income:			
Share of other comprehensive income (loss) from interest in joint ventures	6	**427,066**	(339,363)
Foreign currency translation adjustment		**120,452**	(10,989)
Items that will not be reclassified subsequently to the consolidated statement of income:			
Net unrealised loss on financial assets at fair value through other comprehensive income		**(1,787,934)**	(3,633,930)
Net realised loss on financial assets at fair value through other comprehensive income		**(816,052)**	-
Other comprehensive loss for the year		**(2,056,468)**	(3,984,282)
Total comprehensive loss for the year		**(2,644,309)**	(5,404,941)
Attributable to:			
Equity holders of the Parent Company		**(2,682,094)**	(5,441,470)
Non-controlling interest		**37,785**	36,529
		(2,644,309)	(5,404,941)

The attached notes 1 to 20 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2019

	Notes	*2019 KD*	*2018 KD*
OPERATING ACTIVITIES			
Loss for the year before taxation		**(563,463)**	(1,391,519)
Adjustments for:			
Interest income		**(64,020)**	(54,688)
Unrealised loss on financial assets at fair value through profit or loss		**40,809**	44,112
Realised gain on sale of financial assets at fair value through profit or loss		**(55,900)**	(1,320)
Unrealised loss on investment properties	5	**11,690**	18,592
(Gain) loss on sale of property, plant and equipment		**(357)**	50
Write-off of property, plant and equipment	6	**23,714**	-
Share of results of joint ventures	6	**355,313**	1,017,548
Dividend income		**(168,824)**	(350,136)
Interest expense		**653,557**	615,952
Provision for impairment of investment in joint venture	6	**-**	253,510
Depreciation and amortisation		**41,026**	36,840
Provision for employees' end of service benefits		**21,477**	15,758
		295,022	204,699
Working capital changes:			
Accounts receivable and prepayments		**(4,283,317)**	(543,989)
Inventories		**55,266**	386,302
Accounts payable and accruals		**3,616,976**	(382,525)
Cash flows used in operations		**(316,053)**	(335,513)
Employees' end of service benefits paid		**(49,980)**	(6,638)
Tax paid		**(24,378)**	(9,616)
Net cash flows used in operating activities		**(390,411)**	(351,767)
INVESTING ACTIVITIES			
Interest income received		**64,020**	40,166
Purchase of financial assets at fair value through profit or loss	18	**-**	(100,853)
Proceeds from disposal of financial assets at fair value through profit or loss		**67,581**	8,122
Proceeds from disposal of financial assets at fair value through other comprehensive income		**506,445**	-
Purchase of property, plant and equipment	4	**(26,644)**	(55,603)
Disposal of property, plant and equipment		**3,859**	-
Dividends received		**168,824**	-
Bank deposits with original maturity exceeding three months		**(15,280)**	(11,496)
Net cash flows from (used in) investing activities		**768,805**	(119,664)
FINANCING ACTIVITIES			
Net repayment of term loans		**286,246**	(257,877)
Interest paid		**(653,557)**	(615,952)
Net cash flows used in financing activities		**(367,311)**	(873,829)
Foreign currency translation adjustment		**80,316**	(10,533)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**91,399**	(1,355,793)
Cash and cash equivalents as at 1 January		**1,567,546**	2,923,339
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	7	**1,658,945**	1,567,546

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Parent Company								
	Share capital KD	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Cumulative changes in fair values KD*	*Other reserve KD*	*Accumulated losses KD*	*Sub total KD*	*Non-controlling interest KD*	*Total equity KD*
As at 1 January 2019	50,000,000	256,851	(7,851,631)	(7,944,463)	1,130,150	(23,338,786)	12,252,121	506,057	12,758,178
Loss for the year	-	-	-	-	-	(571,376)	(571,376)	(16,465)	(587,841)
Other comprehensive income (loss) for the year	-	-	493,268	(2,603,986)	-	-	(2,110,718)	54,250	(2,056,468)
Total comprehensive income (loss) for the year	-	-	493,268	(2,603,986)	-	(571,376)	(2,682,094)	37,785	(2,644,309)
Write-off of accumulated losses against share capital (Note 12)	(22,000,000)	-	-	-	-	22,000,000	-	-	-
Write-off of accumulated losses against statutory reserve (Note 12)	-	(256,851)	-	-	-	256,851	-	-	-
Transfer (Note 12)	-	-	-	-	(1,130,150)	1,130,150	-	-	-
Transfer due to disposal of equity investments at FVOCI	-	-	-	816,052	-	(816,052)	-	-	-
As at 31 December 2019	**28,000,000**	**-**	**(7,358,363)**	**(9,732,397)**	**-**	**(1,339,213)**	**9,570,027**	**543,842**	**10,113,869**
As at 1 January 2018	50,000,000	256,851	(7,491,541)	(4,310,533)	1,130,150	(19,824,372)	19,760,555	469,528	20,230,083
Impact on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	(2,066,964)	(2,066,964)	-	(2,066,964)
As at 1 January 2018 (restated)	50,000,000	256,851	(7,491,541)	(4,310,533)	1,130,150	(21,891,336)	17,693,591	469,528	18,163,119
(Loss) profit for the year	-	-	-	-	-	(1,447,450)	(1,447,450)	26,791	(1,420,659)
Other comprehensive (loss) profit for the year	-	-	(360,090)	(3,633,930)	-	-	(3,994,020)	9,738	(3,984,282)
Total comprehensive (loss) profit for the year	-	-	(360,090)	(3,633,930)	-	(1,447,450)	(5,441,470)	36,529	(5,404,941)
As at 31 December 2018	50,000,000	256,851	(7,851,631)	(7,944,463)	1,130,150	(23,338,786)	12,252,121	506,057	12,758,178

The attached notes 1 to 20 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

North Africa Holding Company K.S.C. (Closed) (the "Parent Company") is a closed shareholding company registered and incorporated in Kuwait. The Parent Company's registered head office is at Sharq, Madina tower, 14th Floor, Khaled Bin Al-Waleed Street, Kuwait City, P.0.Box 1246, Dasman 15463, Kuwait.

The consolidated financial statements of the Parent Company and its subsidiaries (together the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the board of directors on 15 July 2020 and are issued subject to the approval of the Annual General Assembly of the shareholders of the Parent Company.

The principal activities of the Parent Company comprise the following:

- Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.
- Lending money to companies in which it owns shares, guaranteeing them with third parties where the holding Parent Company owns 20% or more of the capital of the borrowing company.
- Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights, and franchising them to other companies or using them within or outside the State of Kuwait.
- Owning real estate and moveable property to conduct its operations within the limits as stipulated by law.
- Employing excess funds available with the Parent Company by investing them in investment and real estate portfolios managed by specialised companies.

The Parent Company is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the "Ultimate Parent Company"), which is listed on the Kuwait Stock Exchange.

2.1 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Basis of preparation
The consolidated financial statements are prepared under the historical cost basis, except financial assets at fair value through profit or loss, investment properties and financial assets at fair value through other comprehensive income that have been measured at fair value.

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

2.2 CHANGES IN ACCOUNTING POLICIES

Impact of changes in accounting policies due to adoption of new standards

IFRS 16 *Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged under IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

2.2 CHANGES IN ACCOUNTING POLICIES

Impact of changes in accounting policies due to adoption of new standards (continued)

IFRS 16 *Leases (continued)*
The Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption of IFRS 16 as at 1 January 2019 did not have a material impact on the consolidated financial statements.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and ammendments 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 those standards and ammendments, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, '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 to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

2.4 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019.

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.

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 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 statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in consolidated income statement;
- Reclassifies the parent's share of components previously recognised in OCI to consolidated income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

2.4 BASIS OF CONSOLIDATION (continued)

The subsidiaries of the Group are as follows:

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December 2019*	*Effective interest as at 31 December 2018*
Egyptian International Medical Center S.A.E ("EIMC")	Egypt	Pharmaceutical distribution company	**51%**	51%
North Africa Holding Industries Limited (A)	Guernsey	Investment holding company	**51%**	51%
Cheraga North Africa General Trading (L.L.C) (A)	Dubai	Investment holding cooperative	**100%**	100%
North Africa Aero General Trading (L.L.C) (A)	Dubai	Investment holding cooperative	**100%**	100%
North Africa Holding Glass Industries Ltd (A)	Guernsey	Investment holding company	**100%**	100%
North Africa Holding Pharma Industry Ltd (A)	Guernsey	Investment holding company	**100%**	100%
North Africa Pharmaceutical Industries LLC (A)	Egypt	Investment holding company	**100%**	100%
North Pharma Distribution LLC (A)	Egypt	Investment holding company	**100%**	100%
Suntrana Investment Ltd (A)	Cyprus	Investment holding company	**100%**	100%
Kivalina Investments Ltd (A)	Cyprus	Investment holding company	**100%**	100%
North Africa Holding Real Estate (A)	Morocco	Real Estate	**100%**	100%
Pacato SARL	Morocco	Real Estate development	**100%**	100%
Niteshade Limited	Guernsey	Investment holding company	**100%**	100%
Tiglio SARL	Morocco	Real Estate development	**100%**	100%
Tolland Limited	Guernsey	Investment holding company	**100%**	100%

(A) These companies had no operations during the year ended 31 December 2019.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in consolidated income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated income statement.

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

Buildings	20 to 50 years
Plant and equipment	3 to 10 years
Computers, furniture and fixtures	2 to 5 years
Motor vehicles	5 years

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

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

Expenditure incurred to replace a component of an item of property, plant 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, plant and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment properties when the definition of investment properties is met and it is accounted for as a finance lease.

Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met.

Subsequent to initial recognition, investment properties is stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated income statement in the year in which they arise. For the purposes of these consolidated financial statements the assessed fair value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- Increased by the carrying amount of any liability to the superior leaseholder or freeholder included in the consolidated statement of financial position as a finance lease obligation.

Investment properties are derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period consolidated financial statements.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associate and joint venture (continued)
The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

Cash and cash equivalents
For purposes of the consolidated cash flow statement, cash and cash equivalents includes cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

Financial instruments
Financial assets
Initial recognition and measurement

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cashflow characteristics of the financial assets.

Business model assessment
The Group determines its business model at the level that best reflects how it manages financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. 'Interest' is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Initial recognition and measurement (continued)

The Group considers:
- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cashflows that are unrelated to a basic lending arrangement do not give rise to contractual cashflows that are solely payment of principal and interest. In such cases, the financial asset is measured at fair value through profit or loss.

The Group has determined the classification and measurement of its financial assets as follows:

Financial assets at amortised cost
This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective 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

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

The Group's financial assets at amortised cost includes account receivables and cash and cash equivalents.

Financial assets at FVOCI
Upon initial recognition, the Group makes an irrevocable election to classify its equity investments as financial assets at FVOCI if they meet the definition of 'Equity' under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument by instrument basis.

Account receivables
Account receivables are carried at undiscounted original invoiced amount less any expected credit losses.

Cash and cash equivalents
Cash and cash equivalents consists of cash and bank balances and fixed deposits and have maturity of 3 months or less. Cash and cash equivalents are carried at amortised cost using effective interest rate.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Account receivables
Account receivables are stated at original amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances and fixed deposits and have maturity of 3 months or less.

Financial assets at FVOCI
Financial assets at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the retained earnings as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the statement of income. Dividend income on equity investments at FVOCI are recognised in the statement of income unless they clearly represent a recovery of part of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

Derecognition
A financial asset (or where applicable a part of a financial asset or a part of a Group of similar financial assets) is de-recognised either when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Impairment of financial assets
For account receivables and cash and cash equivalents, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the balances and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 30 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

Financial liabilities
Initial recognition and measurement

Financial liabilities, are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

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

The Group's financial liabilities include account payables and accruals.

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

Account payables 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.

Where 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. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value
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.

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

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

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

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

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

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

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

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 categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition. Cost is determined on weighted average basis.

Net realisable value is based on estimated selling price in the ordinary course of the business, less any further costs expected to be incurred on completion and disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to KD at rates of exchange prevailing on that date. Any resultant gains or losses are recognised in the consolidated income statement.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Kuwaiti Dinar at the foreign exchange rates prevailing at the dates that the values were determined. In case of non-monetary assets whose change in fair values are recognised directly in other comprehensive income, foreign exchange differences are recognised directly in other comprehensive income and for non-monetary assets whose change in fair value are recognised in the consolidated income statement, all differences are recognised in the consolidated income statement.

Assets and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Other reserve

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

End of service indemnity

The Parent Company provides end of service benefits to all its employees in accordance with Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

Therefore, provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

Accounts payable and accruals

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Interest income
Interest income is recognised as interest accrues using the effective interest method ("EIR") that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

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

Leases (from 1 January 2019)
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases, leases with indefinite life and leases of low-value assets. The Group recognizes 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. The right-of-use assets are also subject to impairment.

ii) Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating 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 in the period in which the event or condition that triggers the payment occurs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (from 1 January 2019) (continued)

ii) Lease liabilities (continued)
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.

Leases (upto 1 January 2019)
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated income statement.

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

Operating lease payments are recognised as an operating expense in the consolidated income statement on a straight-line basis over the lease term.

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

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

Impairment losses including impairment on inventories, are recognised in the consolidated income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

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

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured using tax rates and applicable legislation 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.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions

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

Impairment of financial assets at fair value through other comprehensive income
The Group treats financial assets available at fair value through other comprehensive income as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Joint arrangements
Judgement is required to determine when the Group has joint control over an arrangement, which requires an assessment of relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decision of the arrangement. The considerations made in determining the joint control are similar to those necessary to determine control over subsidiaries as above.

Judgement is also required to classify a joint arrangement. Classifying a joint arrangement require the Group to assess their rights and obligations arising from the arrangement. Specifically the Group considers:

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group considers the rights and obligations arising from:
  - The legal form of the separate vehicle
  - The terms of the contractual arrangement
  - Other factors and circumstances (when relevant)

The assessment often requires significant judgement, and a different conclusion on the joint control and also whether the arrangement is a 'joint operation' or a 'joint venture', may materially impact the accounting.

Estimation uncertainty and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair values of assets and liabilities
Considerable judgement by management is required in the estimation of the fair value of the assets, liabilities and contingent liabilities acquired as a result of business combination.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

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

Valuation of unquoted financial assets
Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments 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.

The determination of the cash flows and discount factors for unquoted equity financial assets requires significant estimation.

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.

Valuation of investment properties
Fair value of investment properties have been assessed by an independent real estate appraiser. Two main methods were used to determine the fair value of property interests in investment properties; (a) formula based discounted cash flow analysis and (b) comparative analysis as follows:

(a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

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

Useful lives of property and equipment
Management assigns useful lives and residual values to property and equipment based on the intended use of assets and the economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

3 MATERIAL PARTLY-OWNED SUBSIDIARY

The Group has concluded that Egyptian International Medical Center S.A.E ("EIMC") is the only subsidiary with non-controlling interest that is material to the Group. Financial information of EIMC is provided below:

Accumulated balance of investment in material non-controlling interests:

	2019 *KD*	*2018* *KD*
EIMC	**543,842**	506,057

Profit for the year allocated to material non-controlling interests:

	2019 *KD*	*2018* *KD*
EIMC	**37,785**	26,179

The summarised financial information of EIMC is provided below. This information is based on amounts before inter-company eliminations.

Summarised income statement for the year ended 31 December:

	EIMC	
	2019 *KD*	*2018* *KD*
Income	**16,066,797**	17,457,045
Expenses	**(16,083,862)**	(17,379,940)
Income tax expense	**(16,537)**	(22,428)
(Loss) profit for the year	**(33,602)**	54,677
Other comprehensive profit (loss)	**110,714**	(1,250)
Total comprehensive income	**77,112**	53,426
Attributable to non-controlling interest	**37,785**	26,179

Summarised statement of financial position as at 31 December:

	EIMC	
	2019 *KD*	*2018* *KD*
Total assets	**13,819,541**	9,123,965
Total liabilities	**(12,709,660)**	(8,091,196)
Total equity	**1,109,881**	1,032,769
Attributable to:		
Equity holders of the Parent Company	**566,039**	526,712
Non-controlling interests	**543,842**	506,057

Summarised cash flow information for year ended 31 December:

	EIMC	
	2019 *KD*	*2018* *KD*
Operating activity	**(500,583)**	(504,558)
Investing activity	**8,202**	(32,019)
Financing activity	**596,564**	425,893
Net increase (decrease) in cash and cash equivalents	**104,183**	(110,684)

4 PROPERTY, PLANT AND EQUIPMENT

	Land KD	*Buildings KD*	*Plant and equipment KD*	*Computers, furniture and fixtures KD*	*Motor vehicles KD*	*Capital work in progress KD*	*Total KD*
Cost:							
As at 1 January 2019	39,344	221,371	192,394	227,360	191,156	33,941	905,566
Additions	-	-	26,644	-	-	-	26,644
Disposals	-	-	(10)	(377)	(10,795)	-	(11,182)
Write off	-	-	-	-	-	(23,714)	(23,714)
Exchange adjustments	4,480	25,209	22,882	10,969	20,685	2,591	86,816
As at 31 December 2019	**43,824**	**246,580**	**241,910**	**237,952**	**201,046**	**12,818**	**984,130**
Depreciation:							
As at 1 January 2019	-	37,193	143,758	205,488	144,369	-	530,808
Charge for the year	-	4,679	13,520	7,438	15,389	-	41,026
On disposals	-	-	(10)	(377)	(7,293)	-	(7,680)
Exchange adjustments	-	4,487	16,256	8,297	17,640	-	46,680
As at 31 December 2019	**-**	**46,359**	**173,524**	**220,846**	**170,105**	**-**	**610,834**
Net book value:							
As at 31 December 2019	**43,824**	**200,221**	**68,386**	**17,106**	**30,941**	**12,818**	**373,296**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

	Land *KD*	*Buildings* *KD*	*Plant and equipment* *KD*	*Computers, furniture and fixtures* *KD*	*Motor vehicles* *KD*	*Capital work in progress* *KD*	*Total* *KD*
Cost:							
As at 1 January 2018	39,393	221,646	166,943	214,508	183,528	39,528	865,546
Additions	-	-	25,669	12,964	14,337	2,633	55,603
Disposals	-	-	-	-	(6,482)	(8,172)	(14,654)
Exchange adjustments	(49)	(275)	(218)	(112)	(227)	(48)	(929)
As at 31 December 2018	39,344	221,371	192,394	227,360	191,156	33,941	905,566
Depreciation:							
As at 1 January 2018	-	32,806	136,500	199,368	132,249	-	500,923
Charge for the year	-	4,430	7,427	6,210	18,773	-	36,840
On disposals	-	-	-	-	(6,482)	-	(6,482)
Exchange adjustments	-	(43)	(169)	(90)	(171)	-	(473)
As at 31 December 2018	-	37,193	143,758	205,488	144,369	-	530,808
Net book value:							
As at 31 December 2018	39,344	184,178	48,636	21,872	46,787	33,941	374,758

5 INVESTMENT PROPERTIES

	2019 *KD*	*2018* *KD*
At 1 January	**1,053,703**	1,072,295
Unrealised loss on investment properties	**(11,690)**	(18,592)
At 31 December	**1,042,013**	1,053,703

Valuation of investment properties were conducted as at 31 December 2019 by independent appraisers with a recognised and relevant professional qualification and recent experience of the location and category of investment property being valued. The property has been valued using the market value methods as deemed appropriate considering the nature and usage of the property and are classified under level 3 of fair value hierarchy (Note 17).

6 INTEREST IN JOINT VENTURES

	Principal activities	*Country of Incorporation*	*Carrying amount*		*Equity interest %*	
			2019 *KD*	*2018* *KD*	*2019*	*2018*
Kandil Glass S.A.E. ("Kandil Glass")	Designs, manufactures and market bottles and jars for food and beverage industry	Egypt	**2,929,780**	2,691,488	**50**	50
SACEM Industries S.A. ("Sacem")	Manufacturer of electric transformers and electric and solar water heaters	Tunisia	**1,086,502**	1,253,041	**51**	51
Total			**4,016,282**	3,944,529		

The movement in the carrying amount of investment in joint ventures during the year is as follows:

	2019 *KD*	*2018* *KD*
At the beginning of the year	**3,944,529**	5,554,950
Share of results	**(355,313)**	(1,017,548)
Share of other comprehensive income (loss)	**427,066**	(339,363)
Impairment of investment in joint venture	**-**	(253,510)
At 31 December	**4,016,282**	3,944,529

Summarised financial information of joint ventures is as follows:

Joint venture's statement of financial position:	**Kandil Glass**		**SACEM**	
	2019 *KD*	*2018* *KD*	*2019* *KD*	*2018* *KD*
Total assets	**24,430,286**	22,177,280	**8,890,150**	8,564,970
Total liabilities	**13,719,105**	12,230,351	**8,599,459**	7,784,011
Net assets	**10,711,181**	9,946,929	**290,691**	780,959
Group's share of investment	**2,929,780**	2,691,488	**1,086,502**	1,253,041

6 INTEREST IN JOINT VENTURES (continued)

Joint venture's revenue and results:	Kandil Glass		SACEM	
	2019 *KD*	*2018* *KD*	*2019* *KD*	*2018* *KD*
Total income	**9,779,434**	8,614,253	**7,693,869**	3,710,863
Loss for the year	**(138,776)**	(128,729)	**(560,637)**	(1,868,986)
Group's share of results for the year	**(69,388)**	(64,365)	**(285,925)**	(953,183)

7 CASH AND CASH EQUIVALENTS

	2019 *KD*	*2018* *KD*
Bank balances and cash on hand	**1,358,945**	1,267,546
Deposits with original maturities up to three months	**300,000**	300,000
Cash and cash equivalents	**1,658,945**	1,567,546
Add: Deposits with original maturities exceeding three months	**726,540**	711,260
Bank balances and cash as per consolidated statement of financial position	**2,385,485**	2,278,806

Short term deposits carry effective interest rates of 3% (2018: 2.625%).

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *KD*	*2018* *KD*
Financial assets designated at fair value through profit or loss		
Managed funds	**70,300**	122,790

The fair value of managed funds are determined using techniques for which inputs are not based on observable market data and are classified under level 3 of fair value hierarchy (Note 17).

Financial assets designated at fair value through profit or loss amounting to KD 70,300 (2018: KD 122,790) are managed by a related party (Note 16).

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 *KD*	*2018* *KD*
Financial assets at fair value through other comprehensive income		
Quoted equity securities	**3,205,210**	6,315,641
Unquoted equity shares	**308,386**	308,386
	3,513,596	6,624,027

Investment in quoted equity securities is secured against term loan (Note 13) and are classified under level 1 of fair value hierarchy (Note 17).

Unquoted equity shares are carried at cost, less impairment, if any, due to the non-availability of reliable measures of their fair values. Management has performed a review of its investments at fair value through other comprehensive income to assess whether impairment has occurred in the value of these investments. Based on the latest available financial information, management is of the view that no impairment loss is required as at 31 December 2019 in respect of equity investments.

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2019 *KD*	*2018* *KD*
Trade receivables (gross)	**10,845,195**	6,766,044
Less: Provision for expected credit losses	**(774,207)**	(774,207)
Trade receivables	**10,070,988**	5,991,837
Tax credits receivable	**237,252**	586,449
Accrued interest receivable	**20,937**	14,522
Prepayments	**32,493**	42,302
Amount due from related parties (Note 16)	**19,095**	17,143
Advances to suppliers	**425,980**	11,838
Other receivables	**842,964**	702,301
	11,649,709	7,366,392

As at 31 December 2019, trade receivables with a nominal value of KD 774,207 (2018: KD 774,207) were impaired and fully provided for.

The movement in the expected credit losses / provision against trade receivables is as follows

	2019 *KD*	*2018* *KD*
As at 1 January	**774,207**	774,207
Provision charge	**-**	-
As at 31 December	**774,207**	774,207

The Group does not have any collateral or other credit enhancements against any of the financial assets as at 31 December 2019 and 2018. The Group's trade receivable are secured by an insurance coverage from a related party (Note 16).

11 INVENTORIES

	2019 *KD*	*2018* *KD*
Finished goods	**1,608,740**	1,662,706
Goods in transit	**842**	2,142
	1,609,582	1,664,848

12 SHARE CAPITAL AND RESERVES

a) Share capital

	Authorised, issued and fully paid	
	2019 *KD*	*2018* *KD*
280,000,000 shares (2018: 500,000,000 shares) of KD 0.100 each fully issued and paid up in cash	**28,000,000**	50,000,000

On 30 October 2019, Parent Company held an extra ordinary general meeting (EGM) of the shareholders and resolved to write-off the accumulated losses against share capital amounting to KD 22,000,000. Accordingly, the number of shares decreased from 500,000,000 shares as of 31 December 2018 to 280,000,000 shares as of 31 December 2019 of 100 fils each.

12 SHARE CAPITAL AND RESERVES (continued)

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

During the year, the Parent Company held an EGM of its shareholder and resolved to write-off accumulated losses against statutory reserve. Accordingly, the entire balance of statutory reserve amounting to KD 256,851 was utilised to set-off accumulated losses.

c) General reserve
In accordance with the Companies Law and the Parent Company's Articles of Association, a maximum of 10% of the profit for the year attributable to equity holders of the Parent Company for the year before contribution to Zakat, Kuwait Foundation for the Advancement of Sciences and Directors' remuneration is required to be transferred to general reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. No transfer has been made to general reserve since previously incurred losses have not yet been fully recovered.

c) Other reserve
During the year, the Parent Company held an EGM of its shareholders and resolved to transfer the accumulated losses by way of reduction of other reserve. Accordingly, the entire other reserve balance amounting to KD 1,130,150 was used to decrease the accumulated losses.

13 TERM LOAN AND SHORT-TERM LOANS

	2019 *KD*	*2018* *KD*
Non-current		
Term loan- Moroccan Dirham	**1,174,622**	1,583,816
Current		
Term loan- Moroccan Dirham	**513,114**	799,631
Short term loans- Egyptian pounds	**3,245,214**	2,263,257
	3,758,328	3,062,888
	4,932,950	4,646,704

Term loan carries fixed interest of 6.8% per annum and maturing in 2021. The term loan denominated in Moroccan Dirham is secured against financial assets at fair value through other comprehensive income with a carrying value KD 3,205209 (2018: KD 6,315,640) (Note 9).

13 TERM LOAN AND SHORT-TERM LOANS (continued)

The term loan and short-term loans movement are as follows:

	1 January 2019 KD	*Repayment KD*	*Interest charge for the year KD*	*Reclassification impact KD*	*31 December 2019 KD*
Term loan	1,583,816	(799,631)	109,403	281,034	1,174,622
Short term loans	3,062,888	432,320	544,154	(281,034)	3,758,328
	4,646,704	**(367,311)**	**653,557**	**-**	**4,932,950**

	1 January 2018 KD	*Repayment KD*	*Interest charge for the year KD*	*Reclassification impact KD*	*31 December 2018 KD*
Term loan	2,243,721	(820,945)	156,654	4,386	1,583,816
Short term loans	2,660,860	(52,884)	459,298	(4,386)	3,062,888
	4,904,581	(873,829)	615,952	-	4,646,704

14 ACCOUNTS PAYABLE AND ACCRUALS

	2019 KD	*2018 KD*
Trade payables	**9,016,797**	5,789,355
Tax payable	**15,855**	37,346
Staff related accruals	**2,882**	2,882
Other payables	**484,954**	73,929
	9,520,488	5,903,512

15 LOSS FOR THE YEAR

The loss for the year is stated after charging:

	2019 KD	*2018 KD*
Staff costs	**296,149**	305,764

16 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management. Related party balances and transactions with entities under common control consist of the following:

	2019 *KD*	*2018* *KD*
Consolidated statement of financial position:		
Bank balances and cash	**927,565**	1,205,709
Accrued interest receivable	**2,047**	1,769
Amount due from related parties (Note 10)	**19,095**	17,143
Consolidated income statement:		
Interest income	**20,313**	17,661
Insurance premium (Note 18.1)	**(13,616)**	-
Administrative expenses	**(11,220)**	(2,837)

Other transaction
Financial assets at fair value through profit or loss amounting to KD 70,300 (2018: KD 122,790) are managed by a related party (Note 8).

Trade receivables of the Group are secured by an insurance policy with a related party (entity under common control) for which the insurance premium paid is disclosed above.

Key management compensation
No remuneration was paid or accrued in relation to "key management" (deemed for this purpose to comprise Directors in relation to their committee service, the Chief Executive Officer and other Senior Officers) for the year ended 31 December 2019 (2018: KD Nil).

17 FAIR VALUE MEASUREMENT

a) *Financial instruments*

The fair value of financial assets and financial liabilities that are not carried at fair value is not materially different from their carrying amounts.

The methodologies and assumptions used to determine fair values of financial instruments is described in fair value section of Note 2: Significant Accounting Policies.

The Group uses the following hierarchy for determining and disclosing the fair values of financial and non-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; and
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 and non-financial instruments recorded at fair value by level of the fair value hierarchy:

17 FAIR VALUE MEASUREMENT (continued)

Fair value measurement hierarchy as at 31 December 2019:

2019	***Date of valuation***	***Level: 1 KD***	***Level: 3 KD***	***Total KD***
Assets measured at fair value				
Financial assets at fair value through profit or loss (Note 8)	**31 Dec 19**	**-**	**70,300**	**70,300**
Financial assets at fair value through other comprehensive income (Note 9)	**31 Dec 19**	**3,205,209**	**308,387**	**3,513,596**

a) Financial instruments (continued)
Fair value measurement hierarchy as at 31 December 2018:

2018	*Date of valuation*	*Level: 1 KD*	*Level: 3 KD*	*Total KD*
Assets measured at fair value				
Financial assets at fair value through profit or loss (Note 8)	31 Dec 18	-	122,790	122,790
Financial assets at fair value through other comprehensive income (Note 9)	31 Dec 18	6,315,640	308,387	6,624,027

During the year, there have been no movement within hierarchies, nor any transfer in or out of level 3 hierarchy.

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

31 December 2019	***At 1 January 2018 KD***	***Additions during the year KD***	***Unrealised (loss) gain recorded in consolidated income statement KD***	***Realised gain recorded in consolidated statement of comprehensive income KD***	***Sales and settlements KD***	***At 31 December 2019 KD***
Financial assets at fair value through profit or loss:						
Managed funds (Note 8)	122,790	-	(40,809)	55,900	(67,581)	70,300
	122,790	**-**	**(40,809)**	**55,900**	**(67,581)**	**70,300**

31 December 2018	*At 1 January 2018 KD*	*Additions during the year KD*	*Unrealised (loss) gain recorded in consolidated income statement KD*	*Realised gain recorded in consolidated statement of comprehensive income KD*	*Sales and settlements KD*	*At 31 December 2019 KD*
Financial assets at fair value through profit or loss:						
Managed funds (Note 8)	64,729	100,853	(44,112)	1,320	-	122,790
	64,729	100,853	(44,112)	1,320	-	122,790

17 FAIR VALUE MEASUREMENT (continued)

b) Non-Financial assets

Non-financial asset carried at fair value comprise of investment properties. These are classified under level 3 fair value hierarchy.

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

31 December 2019	*At 1 January 2018 KD*	*Additions during the year KD*	*Unrealised (loss) gain recorded in consolidated income statement KD*	*Realised gain recorded in consolidated statement of comprehensive income KD*	*Sales and settlements KD*	*At 31 December 2019 KD*
Investment properties (Note 5)	1,053,703	-	(11,690)	-	-	1,042,013
	1,053,703	**-**	**(11,690)**	**-**	**-**	**1,042,013**

31 December 2018	*At 1 January 2018 KD*	*Additions during the year KD*	*Unrealised (loss) gain recorded in consolidated income statement KD*	*Realised gain recorded in consolidated statement of comprehensive income KD*	*Sales and settlements KD*	*At 31 December 2019 KD*
Investment properties (Note 5)	1,072,295	-	(18,592)	-	-	1,053,703
	1,072,295	-	(18,592)	-	-	1,053,703

18 RISK MANAGEMENT

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. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. It is also subject to operating risks.

Each subsidiary of the Group is responsible for managing its own risks and has its own Board Committees.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The board of directors are ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Risks arising from financial instruments are classified as follows:

18 RISK MANAGEMENT (continued)

18.1 CREDIT RISK (continued)

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group is exposed to credit risk on bank balances, accounts receivable and loans and advances. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables. The maximum credit risk is limited to amounts appearing on the consolidated statement of financial position.

Gross maximum exposure to credit risk

Receivable, loans and advance balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. With respect to credit risk arising from the other financial assets of the Group, which comprise bank balances, accounts receivable and loans and advances, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Where financial assets 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.

Trade receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

31 December 2019	***Total***	***Neither past due nor impaired***	***Days past due***			
			< 30 days	***30–60 days***	***60– 90 days***	***> 90 days***
	KD	***KD***	***KD***	***KD***	***KD***	***KD***
Expected credit loss rate		**0%**	**0%**	**0%**	**0%**	**80.4%**
Estimated total gross carrying amount at default	**10,845,195**	**7,454,263**	**1,305,263**	**325,490**	**796,782**	**963,397**
Expected credit loss	**774,207**	**-**	**-**	**-**	**-**	**774,207**

31 December 2018	*Total*	*Neither past due nor impaired*	*Days past due*			
			< 30 days	*30–60 days*	*60– 90 days*	*> 90 days*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*
Expected credit loss rate		0%	0%	0%	60.9%	100%
Estimated total gross carrying amount at default	6,766,044	4,404,427	1,055,802	339,530	490,887	475,398
Expected credit loss	774,207	-	-	-	298,809	475,398

The Group has obtained an insurance policy from a related party to cover trade receivable equal to 5 months of its average sales with a maximum coverage of EGP 500,000,000 (equivalent to KD 9,102,225). Accordingly, the Group estimates the risk of expected credit losses on its trade receivable balances to be minimal. (Note 16)

18 RISK MANAGEMENT (continued)

18.1 CREDIT RISK (continued)

The table below shows the gross maximum exposure to credit risk across financial assets before taking into consideration the effect of credit risk mitigation.

	2019 *KD*	*2018* *KD*
Bank balances	**2,304,447**	2,264,606
Accounts receivable (excluding prepayments and tax credits receivables)	**11,379,965**	6,737,641
Loans and advances		-
Gross maximum credit risk exposure	**13,684,412**	9,002,247

The exposures set above are based on net carrying amounts as reported in the consolidated statement of financial position.

The Group's exposure to a single counter party as at 31 December 2019 accounts for 23.12% (2018: 13.23%) of the total receivables of the Group.

18.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is managed by the treasury department of the Parent Company. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

	1 to 3 months KD	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
2019				
Financial liabilities				
Long term loans	-	**513,114**	**741,382**	**1,254,496**
Account payable and accruals (excluding advances received)	**9,517,606**	**2,882**	-	**9,520,488**
Short term loans	-	**3,886,111**	-	**3,886,111**
	9,517,606	**4,402,107**	**741,382**	**14,661,095**

	1 to 3 months KD	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
2018				
Financial liabilities				
Long term loans	-	799,631	2,014,614	2,814,245
Account payable and accruals (excluding advances received)	5,900,630	2,882	-	5,903,512
Short term loans	-	2,421,685	-	2,421,685
	5,900,630	3,224,198	2,014,614	11,139,442

18 RISK MANAGEMENT (continued)

18.3 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

18.3.1 Interest rate risk

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

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits and loans).

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's loss before taxation, based on floating rate financial assets and financial liabilities held at 31 December 2019 and 2018. There is no impact on equity.

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 of 25 basis points	
	Effect on results before taxation	
	2019	*2018*
	KD	*KD*
KD	**3,700**	4,327
MAD	**562**	58
Egyptian Pound	**1,081**	818
Others	**447**	483

The decrease in the basis points will have an opposite impact on the consolidated statement of income. Also, as there is no material interest bearing financial assets at fair value through other comprehensive income, no sensitivity of other comprehensive income has been disclosed.

18.3.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The effect on results before taxation due to change in the fair value of monetary assets and liabilities (excluding hedge of a net investments in a foreign operation) as a result of change in currency rate, with all other variables held constant is shown below:

	Increase in currency rate by 5%	
	Effect on results before taxation	
	2019	*2018*
	KD	*KD*
US Dollar	**8,455**	9,346
Egyptian Pound	**21,610**	16,359
Moroccan Dirham	**11,236**	1,150
Others	**492**	315

A decrease in currency rates will have an opposite impact on the consolidated income statement.

18 RISK MANAGEMENT (continued)

18.3 MARKET RISK (continued)

18.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. Equity price risk is managed by the direct investment department of the Parent Company. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration.

The effect on loss before taxation (as a result of a change in the value of financial assets at fair value through profit or loss) and equity, due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	Increase in equity index by 5%			
	Effect on results before taxation		*Effect on equity*	
	2019	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*
Kuwait	**3,515**	6,140	**-**	-
Morocco	**-**	-	**160,260**	315,782

An increase in equity indices will have an opposite impact on the consolidated statement of income.

19 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 business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2019 and 2018. Capital comprises total equity attributable to the Parent Company, and is measured at KD 9,570,027 as at 31 December 2019 (2018: KD 12,252,121).

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes term loan and short term loans less bank balances and cash in net debt. Capital includes equity attributable to equity holders of the Parent Company of the Group at the reporting date.

	2019	*2018*
	KD	*KD*
Term loan and short-term loans	**4,932,950**	4,646,704
Less: Bank balances and cash	**(2,385,485)**	(2,278,806)
Net debt	**2,547,465**	2,367,898
Capital	**9,570,027**	12,252,121
Capital and net debt	**12,117,492**	14,620,019
Gearing ratio	**21.02%**	16.20%

20 SUBSEQUENT EVENT

Subsequent to the reporting date on 11 March 2020, the World Health Organisation ("WHO") officially declared Novel Coronavirus (COVID 19) a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus including the countries of north Africa region where the Group predominantly operates. These actions expose the Group to various risks including and not limited to credit risk, liquidity risk, impairment of interest in joint ventures, fair value decline of investment properties and financial assets at fair value through other comprehensive income.

20 SUBSEQUENT EVENT (continued)

The outbreak of COVID 19 continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements. These developments could impact Group's future financial results, cash flows and financial condition.