Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Consolidated Financial Statements and Independent Auditor's Report
For the financial year ended 31 December 2020

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State of Kuwait

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For the financial year ended 31 December 2020

Contents	**Pages**
Independent Auditor's Report	1- 7
Consolidated Statement of Financial Position	8
Consolidated Statement of Income	9
Consolidated Statement of Comprehensive Income	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13 - 77

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

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

In our opinion, except for the possible effects of the matter described in the "Basis of Qualified Opinion" paragraph below, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

During the current year ended 31 December 2020, the Group lost its representation in the Board of Directors in Health Assurance Hospitals Company K.P.S.C. ("Dhaman") or the ("associate") (equity accounted investee), and also through the practice of one of the Group's creditors, the assignment of right issued in their favor. As disclosed in (Note 6) the Group's management believes that they had lost its significant influence on the associate. Accordingly the Group's management decided to transfer this investment to be an investment at fair value through other comprehensive income (Note 7). The Group used an external expert to make the valuation of this investment on the date of losing its significant influence, which had resulted in a gain amounting to KD 24,354,954 that was recognised in the consolidated statement of income. There are lawsuits filed by and against the Group regarding this investment that are still being deliberating before the court (Note 37) which may affect the Group's ownership percentage in such investment along with the accounting treatment of the investment, in addition to other related adjustments on the consolidated statement of financial position and consolidated statement of income. Consequently, we were unable to determine whether there are any obligations and adjustments to the investment in Health Assurance Hospitals Company K.P.S.C. and any other related adjustment as at 31 December 2020.

Except for the possible effects of the matter described in the "Basis of Qualified Opinion" paragraph we conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

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

Emphasis of Matters

- Without qualifying our opinion, we draw attention to (Note 1.3) and (Note 19), to the consolidated financial statements, with respect to the rescheduling of the Group's defaulted borrowing. As a result of COVID 19 pandemic effect on the Group's operation and delay in the collection of receivables, most of the borrowings balance as at 31 December 2020 was rescheduled during the current year to be paid within one financial year, except for an amount of KD 25,934,609 which is defaulted as at 31 December 2020. The Group's management stated that they are in the process of rescheduling these amounts with the banks. As a result the current portion of the borrowings exceeds the non-current portion, which leads to the increase in the current liabilities over the current assets as at 31 December 2020.

- Without qualifying our opinion we draw attention to (Note 37), to the consolidated financial statements, with respect to the Group's legal cases and its consequential impact on the consolidated financial statements for the year ended 31 December 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Basis of Qualified Opinion" paragraph above, we determined the below matters as key audit matters being reported in our report.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

Report on the Audit of Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Valuation of investment in unquoted securities	**How our audit addressed the matter**
The Group's investment in unquoted securities amounting to KD 97,230,531 which represents 33% of the total assets as at 31 December 2020 are measured at fair value and classified as financial assets at fair value through other comprehensive income the Group uses an internal and external expert to assist it in determining the fair value of these investments. As disclosed in (Note 4) "Significant accounting judgments, estimation uncertainty and assumptions" the valuation of investments in unquoted securities uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgment by management, especially due to COVID 19 pandemic, in determining the appropriate valuation methodology and uses of various assumptions such as cash flows, discount rates, market information and market risk adjustments. These investments are categorised within level 3 of the fair value hierarchy. Given the inherent subjectivity and judgment required in the valuation of these unquoted investment securities, and the importance of disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter. Refer to (Note 4) and (Note 35) on the consolidated financial statements for the related disclosures.	Audit procedures performed by us included carrying out the following procedures and other matters: • We evaluated the competence, capabilities, qualifications and other objectivity of the management experts engaged by the Group. • Valuations which used significant unobservable inputs, we have tested on a sample basis the source data used in valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We have also involved our internal valuation specialists in assessing the appropriateness of the valuation methodology applied to the valuation model, including discounts for lack of marketability. • We evaluated the adequacy and the appropriateness of the Group's disclosures concerning the fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in (Note 4) and (Note 35) on the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

Report on the Audit of Consolidated Financial Statements (Continued)

Key Audit Matters (Continued)

Receivables and Expected Credit Losses ("ECL")	**How our audit addressed the matter**
As at 31 December 2020, the Group had reported for gross carrying amounts of contract receivables and trade receivables of KD 80,956,703 and KD 15,263,202 respectively, and the related reported provision for ECL amounted of KD 8,744,359 and KD 4,261,904 (Note 10) and (Note 11). The collectability of receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by its management. Given the magnitude and judgment involved in the provision assessment of receivables, we addressed this as a key audit matter. Recognition of ECL under IFRS 9 is complex accounting policy, which requires considerable judgment in its implementation. ECL is dependent on management's judgment in assessing significant increase in credit risk and classification of receivables into various buckets and stages determining when a default has occurred, development of models for assessing the probability of default of customers and estimating cash flows from recovery procedures. Moreover as disclosed in (Note 34). The COVID 19 pandemic significantly impacted the management's judgment applied in their determination of the ECL. As a result the ECL has a higher than usual degree of uncertainty and the used inputs are inherently subject to change. Refer to (Note 4), (Note 34) and (Note 38) to the consolidated financial statements for its related disclosure.	Audit procedures performed by us included carrying out the following procedures and other matters: • Assessed the design and implementation of controls over inputs and assumptions used by the Group in developing the model, its governance and reviews controls performed by the management in determining the adequacy of the credit losses. Moreover our procedures were updated to incorporate consideration of the economic disruption caused by COVID 19 pandemic. • We selected a sample from the outstanding receivables as at 31 December 2020 and we checked the management's determination of significant increase in credit risk and classification in appropriate bucket and stages, exposure at default, probability of default and loss given default. • Assessed the appropriateness of various inputs and assumptions used by the Group's management to determine ECL. • We also tested the arithmetical accuracy of the model on a sample basis. • We evaluated the adequacy and the appropriateness of the Group's disclosures in relation to impairment model ("ECL") requirements of IFRS 9 made in the consolidated financial statements (Note 4), (Note 34) and (Note 38) on the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

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

Other Information included in the Group's annual report for the year 2020

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

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

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

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

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

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

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

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

Our objective is 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 based on these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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 Group's 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 companies or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

Among the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Arabi Group Holding Company K.S.C. (Public)
State of Kuwait

Report on Other Legal and Regulatory Requirement

Furthermore, in our opinion proper books of accounts 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, except for the possible effects of the matter described in "Basis of Qualified Opinion" paragraph above. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies' Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or its financial position.

Furthermore, in our opinion, except for the possible effects of the matter described in the "Basis of Qualified Opinion" section above. We report that nothing has come to our attention indicating any violations during the financial year ended 31 December 2020 of the Law No. 7 of 2010 regarding Establishment of Capital Markets Authority and its Related Regulations, as amended, that might have had a material effect on the business of the Parent Company or its financial position.

Qais M. Al Nisf
License No. 38 "A"
BDO Al Nisf & Partners

Kuwait: 30 April 2021

Consolidated Statement of Financial Position
As at 31 December 2020

	Notes	2020 KD	2019 KD
ASSETS			
Non-current assets			
Property, plant and equipment	5	28,496,870	30,508,735
Investment in associates	6	1	67,569,514
Financial assets at fair value through other comprehensive income	7	97,230,531	5,837,353
Contract retentions		2,239,429	2,338,208
		127,966,831	106,253,810
Current assets			
Inventories	8	51,013,404	53,313,184
Contract assets	9	3,185,371	4,283,163
Contract receivables	10	72,212,344	67,407,752
Trade receivables and other debit balances	11	32,421,331	34,884,985
Due from related parties	12	3,760,144	4,583,449
Financial assets at fair value through profit or loss		3,889	4,943
Cash and cash equivalents	13	2,041,175	1,470,746
		164,637,658	165,948,222
Total assets		292,604,489	272,202,032
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	17,296,224	17,296,224
Share premium	15	7,877,292	7,877,292
Treasury shares	16	(1,480,519)	(1,480,519)
Treasury shares reserve		17,230	17,230
Statutory reserve	17	554,248	554,248
Voluntary reserve	18	324,297	324,297
Revaluation surplus		8,739,001	8,873,775
Foreign currencies translation reserve		124,625	108,446
Fair value reserve from financial assets at fair value through other comprehensive income		875,336	313,105
Accumulated losses		(354,036)	(3,314,147)
Equity attributable to Shareholders of the Parent Company		33,973,698	30,569,951
Non-controlling interests		6,829,106	8,485,740
Total equity		40,802,804	39,055,691
LIABILITIES			
Non-current liabilities			
Provision for end of service indemnity		5,380,487	5,891,073
Borrowings	19	39,483,993	84,505,703
Lease liabilities	20	345,833	428,584
		45,210,313	90,825,360
Current liabilities			
Borrowings	19	114,728,418	40,846,551
Lease liabilities	20	39,312	46,070
Due to banks	21	7,974,627	10,202,907
Notes payable	22	11,946,907	30,916,687
Finance lease obligations	23	50,605	262,754
Contract liabilities	9	324,746	1,459,031
Trade payables and other payables	24	53,085,148	43,039,237
Due to related parties	12	18,441,609	15,547,744
		206,591,372	142,320,981
Total liabilities		251,801,685	233,146,341
Total equity and liabilities		292,604,489	272,202,032

The accompanying notes on pages 13 to 77 form an integral part of these consolidated financial statements.

Tareq Mohammad Al Moushargi
Chairman

Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Consolidated Statement of Income

For the financial year ended 31 December 2020

	Notes	2020 KD	2019 KD
Revenue from contracts with customers	25	78,535,212	104,746,478
Cost of revenue	26	(58,105,856)	(78,685,707)
Gross profit		20,429,356	26,060,771
Other operating income		909,207	556,748
General and administrative expenses	27	(11,865,730)	(13,025,949)
Provision for expected credit losses	28	(11,627,181)	(2,079,879)
Provision for obsolete and slow moving inventories	8	(631,320)	(257,059)
Loss on liquidation letter of guarantees	33	(4,887,255)	-
(Loss) / profit from operations		(7,672,923)	11,254,632
Gain on sale of property, plant and equipment		19,183	30,301
Impairment losses	5	(50,964)	(748,434)
Share of results from associate	6	(1,145,954)	(1,142,098)
Effect of reclassification of an associate to financial assets at fair value through other comprehensive income	6	24,354,954	-
Unrealised (loss)/ gain from financial assets at fair value through profit or loss		(1,054)	709
Other income		534,135	402,162
Provisions	24	(7,565,171)	-
Compensation profit from legal claims	36	1,124,614	-
Finance costs		(9,473,529)	(10,438,825)
Profit / (loss) for the year before deductions		123,291	(641,553)
National Labor Support Tax		-	(35,768)
Net profit / (loss) for the year		123,291	(677,321)
Attributable to:			
Shareholders of the Parent Company		1,763,185	(1,641,868)
Non-controlling interests		(1,639,894)	964,547
		123,291	(677,321)
Basic and diluted earnings / (loss) per share attributable to the Shareholders of the Parent Company (fils)	29	10.69	(9.95)

The accompanying notes on pages 13 to 77 form an integral part of these consolidated financial statements.

Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Consolidated Statement of Comprehensive Income
For the financial year ended 31 December 2020

	Note	2020 KD	2019 KD
Net profit / (loss) for the year		123,291	(677,321)
Other comprehensive income items:			
Items that may be reclassified subsequently to the consolidated statement of income:			
Foreign currencies translation adjustments		16,986	(3,745)
Items that will not be reclassified subsequently to the consolidated statement of income:			
Revaluation of freehold and leasehold lands included in property, plant and equipment	5	992,171	6,723,523
Changes in fair value of financial assets at fair value through other comprehensive income		614,665	-
Other comprehensive income for the year		1,623,822	6,719,778
Total comprehensive income for the year		1,747,113	6,042,457
Attributable to:			
Shareholders of the Parent Company		3,403,747	5,001,367
Non-controlling interests		(1,656,634)	1,041,090
		1,747,113	6,042,457

The accompanying notes on pages 13 to 77 form an integral part of these consolidated financial statements.

Arabi Group Holding Company K.S.C. (Public) and its subsidiaries
State of Kuwait

Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2020

	Equity attributable to Shareholders of the Parent Company												
	Share capital	**Share premium**	**Treasury shares**	**Treasury shares reserve**	**Statutory reserve**	**Voluntary reserve**	**Revaluation surplus**	**Foreign currencies translation reserve**	**Fair value reserve from financial assets at fair value through other comprehensive income**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance at 1 January 2019	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	2,223,931	115,055	313,105	(1,672,279)	25,568,584	7,444,650	33,013,234
Net (loss) / profit for the year	-	-	-	-	-	-	-	-	-	(1,641,868)	(1,641,868)	964,547	(677,321)
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	6,649,844	(6,609)	-	-	6,643,235	76,543	6,719,778
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	6,649,844	(6,609)	-	(1,641,868)	5,001,367	1,041,090	6,042,457
Balance at 31 December 2019	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	8,873,775	108,446	313,105	(3,314,147)	30,569,951	8,485,740	39,055,691
Balance at 1 January 2020	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	8,873,775	108,446	313,105	(3,314,147)	30,569,951	8,485,740	39,055,691
Net profit / (loss) for the year	-	-	-	-	-	-	-	-	-	1,763,185	1,763,185	(1,639,894)	123,291
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	1,062,152	16,179	562,231	-	1,640,562	(16,740)	1,623,822
Total comprehensive income / (loss) for the year	-	-	-	-	-	-	1,062,152	16,179	562,231	1,763,185	3,403,747	(1,656,634)	1,747,113
Effect of disposal of right of use	-	-	-	-	-	-	(1,196,926)	-	-	1,196,926	-	-	-
Balance at 31 December 2020	17,296,224	7,877,292	(1,480,519)	17,230	554,248	324,297	8,739,001	124,625	875,336	(354,036)	33,973,698	6,829,106	40,802,804

The accompanying notes on pages 13 to 77 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the financial year ended 31December 2020

	Notes	2020 KD	2019 KD
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / profit for the year		123,291	(677,321)
Adjustments:			
Depreciation	5	2,243,480	2,756,755
Impairment losses	5	50,964	748,434
Gain on sale of property, plant and equipment		(19,183)	(30,301)
Provision for expected credit losses	28	11,627,181	2,079,879
Provision for obsolete and slow moving inventories	8	631,320	257,059
Loss on liquidation letter of guarantees	33	4,887,255	-
Share of results of investment in associates	6	1,145,954	1,142,098
Effect of reclassification of an associate to financial assets at FVOCI	6	(24,354,954)	-
Unrealised loss / (gain) from financial assets at fair value through profit or loss		1,054	(709)
Provisions	24	7,565,171	-
Finance costs		9,473,529	10,438,825
Provision for end of service indemnity		923,230	962,180
		14,298,292	17,676,899
Changes in operating assets and liabilities:			
Contract retentions		98,779	-
Inventories		1,648,744	(3,279,296)
Contract assets		1,097,792	(1,676,792)
Contract receivables		(13,554,959)	(10,643,137)
Trade receivables and other debit balances		1,513,626	(4,695,681)
Due from related parties		(1,103,481)	(648,233)
Contract liabilities		(1,134,285)	110,358
Trade payables and other payables		1,259,752	(810,934)
Due to related parties		2,470,208	634,449
Cash from / (used in) operations		6,594,468	(3,332,367)
Employees' end of service benefits paid		(212,828)	(148,002)
Net cash flows generated from / (used in) operating activities		6,381,640	(3,480,369)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(894,852)	(1,094,717)
Proceeds from sale of property, plant and equipment		1,620,942	66,224
Purchase of financial assets at fair value through other comprehensive income		-	(79,000)
Net cash flows generated from / (used in) investing activities		726,090	(1,107,493)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	32	12,125,024	29,214,608
Repayment of borrowings	32	(6,331,056)	(16,430,593)
Net movement of lease liabilities	32	(89,509)	(48,488)
Net movement of due to banks	32	(1,999,727)	1,106,376
Net movement of notes payable	32	(1,019,399)	1,879,807
Net movement of finance lease obligations	32	(212,149)	(491,984)
Finance costs paid	32	(9,049,872)	(10,016,325)
Net cash flows (used in) / generated from financing activities		(6,576,688)	5,213,401
Net increase in cash and cash equivalents		531,042	625,539
Foreign currencies translation adjustments		39,387	(3,745)
Cash and cash equivalents at the beginning of the year		1,470,746	848,952
Cash and cash equivalents at the end of the year	13	2,041,175	1,470,746
Non-cash transactions			
Provision for end of service indemnity transferred to payables		1,220,988	-
Restructure of notes payable to borrowings	32	17,950,381	-
Restructure of due to banks to borrowings	32	228,553	-
Effect of reclassification of an associate to financial assets at FVOCI	6	24,354,954	-
Purchase of financial assets at fair value through other comprehensive income through payables		-	19,322

The accompanying notes on pages 13 to 77 form an integral part of these consolidated financial statements.

1. INCORPORATION AND ACTIVITIES

Arabi Group Holding Company K.S.C. (Public) (the "Parent Company") is a Kuwaiti Shareholding Company incorporated on 5 December 1982 and is listed on the Boursa Kuwait. The registered office of the Parent Company is P.O. Box 4090, Safat, 13041, Kuwait. As of 15 March 2021, it has been suspended for six months (till further notice).

The principal activities of the Parent Company are:

- Acquisition of shares of Kuwaiti or foreign shareholding and limited liability companies as well as participation in those companies' incorporation, administration, lending and providing third party guarantees for these companies.
- Granting loans to the companies in which the Parent Company holds shares, guarantee them before third parties and in this case the contribution ratio of the holding Company in the capital of the borrowing company shall not be less than 20% at minimum.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or drawings and any other rights thereto, and renting thereof to other companies whether inside or outside State of Kuwait.
- Owning movables and real estate required to achieve its activities pursuant to the limits prescribed by law.

The Parent Company may have an interest to participate in any way with entities that carry on similar business activities or that may help the Parent Company achieve its objectives in the State of Kuwait or abroad. The Parent Company may also incorporate, purchase, manage or participate in incorporation of such entities or affiliate them.

The consolidated financial statements of the Parent Company and its subsidiaries (together referred to as "the Group") (Note 3.1).

The consolidated financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors' on 30 April 2021 and are subject to the approval of the General Assembly of Shareholders. The Ordinary General Assembly of the Shareholders of the Parent Company has the power to amend these consolidated financial statements after their issuance.

1.1 Basis of preparation

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

The consolidated financial statements of the Group are prepared under the historical cost convention. Except for freehold and leasehold lands, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, that are measured at fair value.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires the Group's management to exercise judgment in applying the Group's accounting policies. The areas of significant judgments and estimates made in preparing the consolidated financial statements and their effect are disclosed in (Note 4).

1. INCORPORATION AND ACTIVITIES (CONTINUED)

1.2 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”), IFRIC interpretations as issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and Companies’ Law No.1 of 2016, and Executive Regulations, as amended.

1.3 Fundamental accounting concept

As at 31 December 2020, the Group’s current liabilities exceeded the current assets by KD 41,953,714.

As a result of COVID 19 pandemic effect on the Group’s operation and delay in the collection of receivables, most of the borrowings balance as at 31 December 2020 was rescheduled during the current year to be paid within one financial year, except for an amount of KD 26,606,820 which is defaulted as at 31 December 2020. The Group is in the process of rescheduling these amounts with the banks. As a result the current portion of the borrowings exceeds the non-current portion, which leads to the increase in the current liabilities over the current assets as at 31 December 2020.

The Group’s management believes that the financial institutions will continue to provide and renew credit facilities.

The Group’s management has taken steps to ensure adequate liquidity to settle its obligations on its due dates.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

a) New standards and amendments effective from 1 January 2020

The accounting policies used in preparation of the consolidated financial statements are consistent with those used in the previous year ended 31 December 2019 except for the changes due to implementation some of the new and amended International Financial Reporting Standards as at 1 January 2020, which did not result in a material impact on the Group’s consolidated financial statements for the financial year ended 31 December 2020 as follows:

Amendments to IAS 1 and IAS 8: Definition of Material
The amendments provide a new definition of material that states, “Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements.

A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

a) New standards and amendments effective from 1 January 2020 (Continued)

Amendments to IFRS 3: Definition of a Business
Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9, IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IFRS 16: Covid-19 Related Rent Concessions
Effective 1 June 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

(a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.

(b) The reduction is lease payments affects only payments originally due on or before 30 June 2021.

(c) There are is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession.

This amendment had no impact on the consolidated financial statements of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

a) New standards and amendments effective from 1 January 2020 (Continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the consolidated financial statements of the Group.

b) Standards and amendments issued but not yet effective

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

IFRS 17: Insurance Contracts
This standard will be effective for annual periods beginning on or after 1 January 2023 and replaces IFRS 4 - Insurance Contracts. The new standard applies to all types of insurance contracts, regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the general model, supplemented by:
- A specific adoption for contracts with direct participation features (Variable fee approach).
- A simplified approach (premium allocation approach) mainly for short duration contracts.

Early application is permitted; provided the Group also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

This standard is not expected to have any impact on the consolidated financial statements of the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In 23 January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

b) Standards and amendments issued but not yet effective (Continued)

Amendments to IFRS 3: Reference to the Conceptual Framework
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

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

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

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

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

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

b) Standards and amendments issued but not yet effective (Continued)

Annual Improvements to IFRS Standards 2018-2020 cycles

The following is the summary of the amendments from the 2018-2020 annual improvements cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 percent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

IAS 41 Agriculture: Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

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

IFRS 16 Leases: Lease incentives
The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2020 (See below). All subsidiaries have a reporting date of 31 December. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations and goodwill (Continued)

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.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in the consolidated statement of income.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

The consolidated financial statements include the financial statements of Arabi Group Holding Company K.S.C. (Public) and its subsidiaries as follows:

Name of the subsidiary	Ownership (%) 2020	Ownership (%) 2019	Country of incorporation	Principal activities
	%	%		
Arabi Company W.L.L. *	100	100	State of Kuwait	General trading and contracting
Arabi Engineering and Mechanical Works Company W.L.L.	100	100	State of Kuwait	General trading and contracting
Arabi Enertech Company K.S.C. (Closed)	73.08	73.08	State of Kuwait	General trading and contracting
Daleel International Company W.L.L. **	100	100	State of Kuwait	IT services
Key BS JLT W.L.L. **	100	100	United Arab Emirates	IT services

* The consolidated financial statements include the financial statements of Arabi Company W.L.L. and its subsidiaries as follows:

Name of the subsidiary	Ownership (%) 2020	Ownership (%) 2019	Country of incorporation	Principal activities
	%	%		
Gulf Services and Industrial Supplies Company	100	100	Oman	General Trading and Contracting
Arabi Company W.L.L.	100	100	Qatar	General Trading and Contracting
Altec Corporation Limited	90.03	90.03	India	General Trading and Contracting
Warba Mechanical Equipments L.L.C.	70	70	United Arab Emirates	General Trading and Contracting

** The Group has not consolidated these subsidiaries since they are not material to the consolidated financial statement of the Group. The Group's share of loss from these subsidiaries for the year ended 31 December 2020 has been recognised based on their management accounts.

Summarised financial information of material non-controlling interest

The total non-controlling interests as at 31 December 2020 is KD 6,829,106 (2019: KD 8,485,740) mainly related to Arabi Enertech Company K.S.C. (Closed) amounting to KD 7,363,833 (2019: KD 8,713,540).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Financial information of a subsidiary that has a material non-controlling interest:

Proportion of equity interest held by non-controlling interest:

Name of subsidiary	**Country of incorporation and operation**	**2020**	**2019**
Arabi Enertech Company K.S.C. (Closed)	Kuwait	26.92%	26.92%

Accumulated balance of material non-controlling interest:

Name of subsidiary	**2020**	**2019**
	KD	KD
Arabi Enertech Company K.S.C. (Closed)	7,363,833	8,713,540

Summarised financial information of the subsidiary:

This information is based on amounts before inter-company eliminations.

Summarised statement of financial position for Arabi Enertech Company K.S.C. (Closed):

	2020	**2019**
	KD	KD
Non-current assets	19,558,019	21,428,723
Current assets	147,807,310	139,484,745
Non-current liabilities	(18,637,827)	(60,279,420)
Current liabilities	(121,368,827)	(67,176,744)
Total equity	27,358,675	33,457,304
Attributable to:		
Shareholders of the Parent Company	19,994,842	24,743,764
Non-controlling interest	7,363,833	8,713,540
	27,358,675	33,457,304

Summary of the statement of comprehensive income:

	2020	**2019**
	KD	KD
For the financial year ended 31 December		
Revenues	41,519,895	57,132,592
Expenses	(47,553,329)	(53,477,060)
(Loss) / Profit	(6,033,434)	3,655,532

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred or assumed by the Group to the former stakeholders of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Acquisition-related costs are generally recognised in consolidated statement of income as incurred. At the acquisition date, the assets and liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IFRS 9, or IAS 37, provisions, contingent liabilities and assets, as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of income.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests’ proportionate share of the recognised amounts of the acquirer’s identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combinations (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in the consolidated statement of comprehensive income are reclassified to consolidated statement of income where such treatment would be appropriate if that interest was disposed of.

3.3 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income as incurred.

Freehold and leasehold lands is measured initially at fair value. After initial recognition, Freehold and leasehold lands is measured at fair value at the date of the revaluation less any subsequent accumulated impairment losses.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in the consolidated statement of income, the increase is recognised in the consolidated statement of income. A revaluation deficit is recognised in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus.

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

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

	Years
Buildings constructed on freehold and leasehold lands	20
Machinery and heavy equipment	5 - 20
Vehicles	5
Furniture and office equipment	4 - 5

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 from items of property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associates

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

The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method.

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

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the 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.

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

The financial statements of the associate 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. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of result from associate' in the consolidated statement of income.

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

3.5 Inventories

Inventories are valued at the lower of cost and net realisable value after providing allowances for any obsolete or slow-moving items. Costs comprise direct materials, direct labor costs and those overheads that have been incurred in bringing the inventory to their present location and condition. Cost is determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and selling expenses. Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually. Whenever there is an indication that the asset may be impaired, its recoverable amount is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

For a non-financial asset, other than goodwill, in which impairment subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of consolidated statement of income.

3.7 Financial instruments

3.7.1 Financial assets

i. Classification and measurement of financial assets

Equity investment at fair value through other comprehensive income
Upon initial recognition of a non-trading equity investment, the Group can irrevocably decide to present subsequent changes in the fair value of the investment in other comprehensive income. This decision is made on the basis of each investment alone.

Subsequent Measurement
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in consolidated statement of comprehensive income. Other net profits and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

3.7.1 Financial assets (Continued)

i. <u>Classification and measurement of financial assets (Continued)</u>

<u>Financial assets at amortised cost</u>
Financial assets are measured at amortised cost when both of the following conditions are met and are not classified as at fair value through profit or loss:
- Held under a business model whose objective is to retain the asset for the collection of contractual cash flows,
- Contractual terms, on certain dates, result in cash flows that are only payments of principal and interest on the principal of the outstanding debt.

Subsequent Measurement
These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in the consolidated statement of income.

The financial assets at amortised cost consist of “Contract retentions”, “Contract assets”, “Contract receivables”, “Trade receivables and other debit balances”, “Due from related parties”, and “Cash and cash equivalents”.

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Receivables
Receivables are amounts due from customers for products sold or services performed in the ordinary course of business and are recognised initially at fair value and subsequently measured at amortised cost, less provision for expected credit losses.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, cash at banks, and deposits held at call with banks, they are short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Effective interest rate method
The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating interest over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

3.7.1 Financial assets (Continued)

i. Classification and measurement of financial assets (Continued)

Equity investment at fair value through profit or loss
All financial assets that are not classified as financial assets measured at amortised cost or at fair value through other comprehensive income as described above are measured at fair value through profit or loss. The Group may at initial recognition make an irrevocable determination of a financial asset that does not meet the measurement requirements at amortised cost or fair value through other comprehensive income as a financial asset at fair value through profit or loss if that would exclude or Significantly limits any accounting differences that may arise.

A financial asset (unless it is included in a contract receivables without a material financing element initially measured at the transaction price) is initially measured at fair value plus, for an item not carried at fair value through profit or loss, transaction costs directly attributable to its acquisition.

Subsequent Measurement
These assets are subsequently measured at fair value. Net gains and losses, including any interests or dividends income, are recognised in consolidated statement of income.

ii. Impairment of financial assets

The Group recognises an provision for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

3.7.1 Financial assets (Continued)

ii. ***Impairment of financial assets (Continued)***

The Group has chosen to measure the provision for expected credit losses of contract receivables and trade receivables in an amount equivalent to the expected credit losses over the life of the instrument using the simplified method (Note 34).

The maximum period to be taken into account when estimating expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Measurement of expected credit losses
The expected credit loss is the estimated probability of credit losses. Credit losses are measured at the present value of all cash deficits (i.e., the difference between the cash flows due to the enterprise in accordance with the contract and the cash flows that the Group expects to receive). The expected credit losses are discounted at the effective interest rate of the financial asset.

Financial assets with low credit value
At the reporting date, the Group assesses whether the financial assets carried at amortised cost have been impaired. A financial asset is impaired when one or more events have a material adverse effect on the future cash flows of the financial asset.

Impairment presentation
Provision for losses on financial assets measured at amortised cost is deducted from the total carrying amount of the asset.

Expected credit losses on contract receivables and trade receivables are presented separately in the consolidated statement of income.

Contract assets
Contract assets are reported for a carrying amount of KD 3,185,371 as of 31 December 2020 (KD 4,283,163) (Note 9). The Group's impairment model “ECL” as of 31 December 2020 has not had any material impact on contract assets balance.

Contract receivables and trade receivables
(Note 34) provides further details on the calculation of expected credit losses relating to contract receivables and trade receivables. The Group takes into consideration the model and some assumptions used to calculate credit losses expected as key sources of uncertainty.

Expected credit losses are calculated based on experience from actual credit losses over the past 3-5 years. The Group has calculated expected credit loss rates for its customers.

The ECLs on contract receivables and trade receivables are estimated using a credit matrix based on the customer's past experience and an analysis of the current consolidated financial position. These are adjusted based on the specific factors of the customers type, the general economic conditions of the industry in which the customer exercises his operating activity, at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

3.7.1 Financial assets (Continued)

ii. Impairment of financial assets (Continued)

Contract receivables and trade receivables (continued)

The Group recognised a total expected credit losses loss as at 31 December 2020 amounting to KD 8,744,359 and KD 4,261,904 (2019: KD 9,840,440 and KD 3,665,522) (Note 10 and 11, respectively) against all amounts due to past experience indicating that these contract receivables and trade receivables, may not be fully recoverable. The risk analysis of expected customer default rate by age category of debt is shown in (Note 34).

Due from related parties
Due from related parties are reported for a gross amount of KD 7,688,654 as of 31 December 2020 (2019: KD 6,585,173) (Note 12).

The Group recognised a total expected credit losses as at 31 December 2020 amounting to KD 3,928,510 (2019: KD 2,001,724) (Note 12) against all amounts due to past experience indicating that these due from related parties may not be fully recoverable.

Bank balances and short-term deposit
Bank balances and short-term deposit are also subject to the impairment requirements of IFRS 9, where cash is placed with financial institutions with a high credit rating the identified impairment loss was immaterial.

Derecognition of financial assets
A financial asset is derecognised by the Group only when the contractual rights to the cash flows recognised from the asset expire; or when the Group transfers the financial asset and all the risks and rewards of ownership of the financial asset to another party. If the Group does not transfer or retain all the risks and rewards of ownership and continues to exercise control of the transferred asset, it recognises its asset held in the asset and any associated liability for the amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of the transferred financial asset, the Group continues to recognise the financial asset.

3.7.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or loans. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value. Borrowings are recognised initially at fair value, net of transaction costs incurred. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In that case, fees shall be posted until the withdrawal is carried out.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (Continued)

3.7.2 Financial liabilities (Continued)

Classification and subsequent measurement
The financial liabilities include “Borrowings”, “Lease liabilities”, “Due to banks”, “Notes payable”, “Finance lease obligations”, “Trade payables and other payables” and “Due to related parties”.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates using the effective yield method.

Trade payables and other payables
Trade payable and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation is discharged, cancelled or enforced. When an existing obligation is replaced by another obligation from the same borrower on substantially different terms or the terms of the financial liability are changed substantially, such replacement or modification is treated as a derecognition of the original liability and recognition of a new obligation. The difference between the related carrying amounts is recognised in the consolidated statement of income.

3.7.3 Offsetting

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Contract liabilities

A contract liability arises if a customer pays consideration or if the Group has a right to consideration that is unconditional before the goods or services is transferred to the customer. Contract liability is recognised as revenue when the Group performs under the contract.

3.9 Provision for end of service indemnity

The Group provides end of services benefits to its Non-Kuwaiti employees in accordance with the employment contracts and the Kuwaiti Labour Law. The entitlement to those benefits is based upon the employees' final salary and length of services, subject to completion of a minimum service period, and are payable to the employees on termination of their employment with the Group. The expected costs of these benefits are accrued over the period of employment.

Concerning the Kuwaiti national employees, the Group makes subscriptions to the Public Institution for Social Security being calculated as a percentage of monthly salaries of the employees. The Group's commitment is limited to such amounts of commitments which are recognised as an expense upon satisfaction of the vesting conditions by related staff. The cost is considered as part of staff costs.

The Group has no expectation of settling its employees' end of service benefits obligation within 12 months from the consolidated financial position date and, therefore, it has classified the obligation within non-current liabilities in the consolidated statement of financial position. The provision is not discounted to present value as the effect of the time value of money is not expected to be significant.

3.10 Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3.11 Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Treasury shares (Continued)

Gains realised subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any the Parent Company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

3.12 Foreign currency

Functional and presentation currency
Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Kuwaiti Dinars ("KD").

Transactions and balances
Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the consolidated financial statements date.

Foreign exchange profits and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

3.13 Revenue recognition

Revenue from contracts with customers for sales of goods or services in the ordinary course of the Group's activities is recognised in accordance with the following 5-step model:

1. Identify contracts with customers: A contract is an agreement which creates enforceable rights and obligations and sets out criteria that must be met;
2. Identify performance obligations within the contract: A performance obligation is a promise to deliver a good or a service to a customer;
3. Determine the transaction price: The transaction price is the amount to which the Group expects to be entitled in exchange for delivering the promised goods or services to a customer;
4. Allocate the transaction price to the performance obligations, if more than one;
5. Recognise revenue as and when the performance obligation(s) is/are satisfied.

Revenue is measured on the basis of the consideration that the Group expects to accrue through the contract with the customer, excluding amounts collected on behalf of the other parties. Revenue is recognised for the transfer of control over the goods or service to the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition (Continued)

Control shall be transferred at a specified time if none of the criteria necessary for the carriage of the goods or service is met over a period of time. The Group takes the following factors into consideration whether or not control is transferred:

- The Group has an existing right to make payments against the asset.
- The customer has a legal right in the original.
- The Group transfers the physical possession of the asset.
- The customer has significant risks and rewards to the ownership of the asset.
- The customer has accepted the asset.

The Group's revenue sources are as follows:

Rendering of services
Revenue from rendering of services is recognised over time, the Group is involved in providing services related to installation and maintenance of pipelines. Revenue from such services is recognised upon completion of services as the duration of services is generally is long in nature. The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work signed by a customer internal technical assessor and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to contract receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date under the cost–to–cost method then the Group recognises a contract liability for the difference.

Contracting service
Revenue from construction is recognised over time on a cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15.

Manpower supply
Revenue from manpower supply is satisfied over time, as such, the Group uses input method to measure the progress of satisfaction of the performance obligation based on labour hours expended relative to the total expected inputs required in order to satisfy the performance obligation.

Sale of goods
Sales represent total invoiced amount of goods sold during the year. Revenue from sale of goods is recognised when the control over the goods is transferred to the customer. For standalone sales, that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the customer takes undisputed delivery of the goods. Delivery occurs when the goods have been shipped to the specific location, have been purchased at store by the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the consolidated statement of income in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3.15 Leases

<u>The Group as a lessor</u>
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Other lease contracts are classified as financing leases. 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 fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

<u>Finance lease</u>
The amounts due from lessees under the finance lease are stated as accounts receivable at the amount of the Group's net investment in the lease. Finance lease income is allocated to financial periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

<u>Operating lease</u>
Rental income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

<u>The Group as a lessee</u>
The Group assesses at contract inception whether a contract is, or contains, a lease. The Group recognizes right-of use assets and the lease liabilities regarding all lease arrangements when it acts as the lessee.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Taxation

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

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

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

3.17 Related parties transactions

Related parties consist of major shareholders, directors, executive officers, their close family members and companies of which they are principal owners. All related parties transactions are conducted on an arm's length basis and are approved by management.

3.18 Current versus non-current classification

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

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

All other assets are classified as non-current.

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

The Group classifies all other liabilities as non-current.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Contingent assets and liabilities

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

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

3.20 Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

3.21 Government grants

The government grants are recognised when there is a reasonable assurance that the grant will be received and all accompanied conditions will be fulfilled. When the grant relates to the expenses item, it is recognised as other income on regular basis over the periods during which the relevant costs, for which this grant is allocated as a compensation, are charged as expenses. When the grant relates to an asset, it is recognized as revenues at equal amounts over the expected useful life of the relevant asset.

When the Group receives grants from non-cash assets, the asset and grant are recognised at the nominal values and are released yearly in equal installments on the profits or losses over the useful life of the asset based on the pattern of the relevant asset’s features.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, 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.

Estimates and assumptions are reviewed periodically. The effect of an adjustment on estimates is recognised in the period in which the adjustment is made and in the future period if the adjustment affects future periods. The following estimates are for the future and may result in significant risk of material changes to the assets and liabilities over the next financial years.

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

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

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

The Group included the renewal period as part of the lease term for leases of leasehold lands with shorter non-cancellable period (i.e., five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operations if the leased asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Classification of financial instruments
On acquisition of a financial asset, the Group decides whether it should be classified as "investments at fair value through profit or loss", "investments at fair value through other comprehensive income" or "investments at amortised cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets which is described in the accounting policy (Note 3.7).

Revenue recognition
The Group reviews periodically the timing of meeting performance obligations in contracts with customers, including significant payment terms and related revenue recognition policies (Note 3.13 and Note 25).

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

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 described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of freehold and leasehold lands

The Group carries its freehold and leasehold lands at revalued amounts, with changes in fair value being recognised in OCI. The freehold and leasehold lands were valued by reference to transactions involving properties of a similar nature, location and condition. The Group engaged independent valuation specialists to assess fair values as at 31 December 2020 for the freehold and leasehold lands (Note 5).

The key assumptions used to determine the fair value of the freehold and leasehold lands and sensitivity analyses are provided in (Note 35).

Useful lives of property, plant and equipment

As described in the accounting policies, the Group reviews the estimated useful lives over which its property, plant and equipment are depreciated. The Group's management is satisfied that the estimates of useful lives are appropriate.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Estimating the incremental borrowing rate for leases

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (Continued)

Fair value measurements and valuation techniques of unquoted investments
The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value, management uses observable market data as appropriate, in case no observable market data is available the Group uses external valuer qualified to do the valuation.

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

The Group has updated the fair value studies relating to investments in unquoted shares as a result of the negative impacts on the fair value of unquoted financial investments due the speared of COVID-19.

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

Provision for obsolete and slow moving inventories
The determination of the marketability of the inventory and the factors determining the impairment of the inventory involve significant judgment.

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

Provision for expected credit losses for contract receivables and trade receivables
The Group uses a dedicated matrix to calculate provision for expected credit losses for contract receivables and trade receivables. Provision rates are based on previous days due to the aggregation of different segments of customers with similar loss patterns (ie, by geographical location, type of product, type and valuation of the customer, coverage of letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATION UNCERTAINTY AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty and assumptions (Continued)

Provision for expected credit losses for contract receivables and trade receivables (Continued)

The Group has reassessed its significant judgments and estimates in respect of expected credit losses including probability of default, loss rate on default and incorporation of forward looking information because of the negative economic impacts due to COVID-19 outbreak.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information relating to the provision of expected credit losses for contract and trade receivables is disclosed in (Note 34).

Impairment of associates
After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the loss as "impairment loss of investment in associate" in the consolidated statement of income.

Contingent liabilities
Contingent liabilities arise as a result of past events confirmed only by the occurrence or non-occurrence of one or more of uncertain future events that are not included in full within control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands	Buildings constructed on freehold and leasehold lands	Machinery and heavy equipment	Vehicles	Furniture and office equipment	Projects under construction	Total
	KD	KD	KD	KD	KD	KD	KD
Cost or valuation							
Balance at 31 December 2018 ("as previously stated")	1,644,230	15,036,716	11,658,334	5,507,427	3,599,293	845,113	38,291,113
Impact of adoption of IFRS 16 at 1 January 2019	-	523,142	-	-	-	-	523,142
Balance at 1 January 2019 ("restated")	1,644,230	15,559,858	11,658,334	5,507,427	3,599,293	845,113	38,814,255
Additions	-	-	64,847	142,132	527,474	360,264	1,094,717
Disposals	-	(20,899)	(68,757)	(85,442)	(153,665)	-	(328,763)
Revaluation adjustment	2,126,364	4,597,159	-	-	-	-	6,723,523
Foreign currency translation adjustments	(2,751)	(2,436)	(19,661)	(1,219)	(2,850)	-	(28,917)
Balance at 31 December 2019	3,767,843	20,133,682	11,634,763	5,562,898	3,970,252	1,205,377	46,274,815
Additions	-	590,745	151,737	29,481	85,315	37,574	894,852
Transfer	-	335,264	-	-	-	(335,264)	-
Disposals	-	(1,750,710)	(51,945)	(135,574)	(303,788)	-	(2,242,017)
Revaluation adjustment	124,171	868,000	-	-	-	-	992,171
Foreign currency translation adjustments	3,629	(4,470)	(13,913)	2,035	5,675	-	(7,044)
Balance at 31 December 2020	3,895,643	20,172,511	11,720,642	5,458,840	3,757,454	907,687	45,912,777
Accumulated depreciation and impairment							
Balance at 1 January 2019	-	2,057,700	4,237,709	3,533,564	2,753,675	-	12,582,648
Charge for the year	-	406,574	1,069,002	924,895	356,284	-	2,756,755
Impairment losses	216,683	531,751	-	-	-	-	748,434
Related to disposals	-	(9,494)	(68,757)	(74,363)	(148,154)	-	(300,768)
Foreign currency translation adjustments	-	(1,335)	(15,808)	(1,108)	(2,738)	-	(20,989)
Balance at 31 December 2019	216,683	2,985,196	5,222,146	4,382,988	2,959,067	-	15,766,080
Charge for the year	-	414,618	1,002,583	465,241	361,038	-	2,243,480
Impairment losses	50,964	-	-	-	-	-	50,964
Related to disposals	-	(152,005)	(51,945)	(132,825)	(303,483)	-	(640,258)
Foreign currency translation adjustments	-	(474)	(11,033)	1,648	5,500	-	(4,359)
Balance at 31 December 2020	267,647	3,247,335	6,161,751	4,717,052	3,022,122	-	17,415,907
Net book value							
Balance at 31 December 2019	3,551,160	17,148,486	6,412,617	1,179,910	1,011,185	1,205,377	30,508,735
Balance at 31 December 2020	3,627,996	16,925,176	5,558,891	741,788	735,332	907,687	28,496,870

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The depreciation charged for the year is allocated as follows:

	2020	2019
	KD	KD
Cost of revenue (Note 26)	1,534,454	2,236,181
General and administrative expenses (Note 27)	709,026	520,574
	2,243,480	2,756,755

- Buildings are constructed on leasehold lands under renewal lease agreement from the Public Authority for Industry, State of Kuwait.
- The Group has mortgaged revalued leasehold lands amounted to KD 9,050,000 and buildings constructed with carrying amount of KD 213,568 (2019: revalued leasehold lands amounted to KD 9,660,000 and buildings constructed with carrying amount of KD 249,234) to a local bank against borrowings (Note 19).
- The Group has mortgaged revalued freehold land amounted KD 2,300,000 and buildings constructed with carrying amount of KD 83,967 (2019: revalued freehold land amounted KD 2,200,000 and buildings constructed with carrying amount of KD 96,001) are mortgaged to a local banks against borrowings (Note 19).
- The Group has mortgaged revalued freehold lands amounted to KD 959,234 and buildings constructed with carrying amount of KD 671,942 (2019: revalued freehold lands amounted to KD 986,000 and buildings constructed with carrying amount of KD 177,109) are mortgaged to a foreign banks against borrowings (Note 19).

Fair value of the freehold and leasehold lands was determined using the market comparable method. The valuations have been performed by the valuers and are based on proprietary databases of prices of transactions for freehold and leasehold lands of similar nature, location and condition. As at the dates of revaluation on 31 December 2020, the freehold and leasehold lands’ fair values are based on valuations performed by independent valuers who has valuation experience for similar freehold and leasehold lands. Since this valuation was performed using a significant unobservable input, the fair value was classified as a Level 3 measurement. Fair value measurement disclosures for the revalued freehold and leasehold lands are provided in (Note 35).

6. INVESTMENT IN ASSOCIATES

The Group has the following investment in associates:

Name of the associate	Country of incorporation	Ownership (%)		2020	2019
		2020	2019	KD	KD
Health Assurance Hospital Company K.S.C.P. (Dhaman)	State of Kuwait	-	26%	-	67,569,513
Agricltural Environmental Projects Company W.L.L.	State of Kuwait	40%	40%	1	1
				1	67,569,514

6. INVESTMENT IN ASSOCIATES (CONTINUED)

Following are the movement on investment in associates:

	2020	2019
	KD	KD
Balance at the beginning of the year	67,569,514	68,711,612
Share of results	(1,145,954)	(1,142,098)
Effect of reclassification of an associate to financial assets at fair value through other comprehensive income *	24,354,954	-
Transferred to financial assets at fair value through other comprehensive income (Note 7)	(90,778,513)	-
Balance at the end of the year	1	67,569,514

* During the current year ended 31 December 2020, the Group transferred its investment in Health Assurance Hospital Company K.S.C.P. (Dhaman) (the “associate”) to financial assets at FVTOCI (Note 7), as the Group’s Management believes that they had lost its significant influence for this investment accordingly, the Group had valued this investment, which resulted in a gain amounting to KD 24,354,954 that was recognised in the consolidated statement of income.

The Group signed assignment right in favor of Mashfa for Medical Services W.L.L (“Mashfa”) (one of Group’s creditors for Dhaman) for 190,513,273 shares of Dhaman shares owned by the Group against the lending amount of KD 21,528,000. There is a legal case relating to the assignment right (Note 24) and (Note 37).

The Group’s share of results from investment in associate for the period ended 30 September 2020 has been recognised based on the associate’s interim financial information. The shares of associate are not publicly listed on a stock exchange.

The Group has commitment amounting to KD 29,900,000 as a capital subscription towards the remaining 50% of Dhaman unpaid capital. This amount is not paid till the reporting date, there is a legal case filled by the Group against Dhaman relating to the establishment procedures (Note 37).

As of 31 December 2019, investment in associate shares was pledged with local banks against borrowings (Note 19).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	KD	KD
Local unquoted securities	97,230,531	5,837,353

During the current year ended 31 December 2020, the Group transferred its investment in Health Assurance Hospital Company K.S.C.P. (Dhaman) (previously recognised as “investment in associate”) to financial assets at fair value through other comprehensive income (FVOCI) which was recognised at its fair value on the transfer date (Note 6).

Financial assets at fair value through other comprehensive income amounted to KD 95,479,459 (2019: KD 4,262,854) are pledge against borrowings (Note 19).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

There is assignment right in favor of Mashfa for Medical Services W.L.L ("Mashfa") (one of Group's creditors for Dhaman) for 190,513,273 shares of Dhaman shares owned by the Group against the lending amount of KD 21,528,000 (Note 24).

Fair value measurement disclosures for financial assets at fair value through other comprehensive income are provided in (Note 35).

8. INVENTORIES

	2020	2019
	KD	KD
Finished goods	49,813,070	50,446,972
Provision for obsolete and slow moving inventories*	(3,265,904)	(2,617,785)
	46,547,166	47,829,187
Work in process	4,466,238	5,483,997
	51,013,404	53,313,184

* Movement in the provision for obsolete and slow moving inventories is as follows:

	2020	2019
	KD	KD
Balance at the beginning of the year	2,617,785	2,476,419
Charge during the year	631,320	257,059
Written off during the year	(2,917)	(113,439)
Foreign currencies translation	19,716	(2,254)
Balance at the end of the year	3,265,904	2,617,785

9. CONTRACT ASSETS / LIABILITES

	2020	2019
	KD	KD
Contract assets	3,185,371	4,283,163
Contract liabilities	324,746	1,459,031

Contract assets represents the revenue earned from construction as receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to contract receivables.

Contract liabilities include advances received to render construction services. The outstanding balances of these accounts decreased in 2020 due to the continuous movement in the Group's customer base.

10. CONTRACT RECEIVABLES

	2020	2019
	KD	KD
Contract receivables	80,956,703	77,248,192
Provision for expected credit losses *	(8,744,359)	(9,840,440)
	72,212,344	67,407,752

Contract receivables are non-interest bearing and are generally due within 30 to 90 days.

The risk analysis of the expected customer default rate by age category of debt is shown in (Note 34).

* The movement in the provision for expected credit losses is as follows:

	2020	2019
	KD	KD
Balance at the beginning of the year	9,840,440	8,575,649
Charge during the year (Note 28)	8,750,367	1,264,791
Write off during the year	(9,846,448)	-
Balance at the end of the year	8,744,359	9,840,440

11. TRADE RECEIVABLES AND OTHER DEBIT BALANCES

	2020	2019
	KD	KD
Trade receivables	15,263,202	19,047,499
Less: provision for expect credit losses	(4,261,904)	(3,665,522)
	11,001,298	15,381,977
Retentions	1,772,544	2,701,658
Advance payment to suppliers	14,630,184	11,964,292
Refundable deposits	815,926	846,100
Prepaid expenses	1,969,587	1,796,975
Staff receivables	1,147,286	1,063,442
Others	1,420,639	1,130,541
Provision for expect credit losses	(336,133)	-
	32,421,331	34,884,985

The movement in the provision for expected credit losses is as follows:

	2020	2019
	KD	KD
Balance at the beginning of the year	3,665,522	2,853,497
Charge during the year (Note 28)	950,028	815,088
Written off during the year	(19,257)	(849)
Foreign currencies translation adjustments	1,744	(2,214)
Balance at the end of the year	4,598,037	3,665,522

The risk analysis of the expected customer default rate by age category of debt is shown in (Note 34).

12. RELATED PARTIES DISCLOSURES

Related parties represent major shareholders, directors and senior management personnel of the Parent Company, and Companies controlled, or significantly influenced by such parties. The pricing policies and conditions for these transactions are approved by the Parent Company's management. The significant related parties' balances and transactions are as follows:

Balances included in the consolidated statement of financial position:

	Shareholders	Other related parties	2020	2019
	KD	KD	KD	KD
Due from related parties	-	7,688,654	7,688,654	6,585,173
Less: Provision for expected credit losses *	-	(3,928,510)	(3,928,510)	(2,001,724)
			3,760,144	4,583,449
Due to related parties	6,544,316	11,897,293	18,441,609	15,547,744

* The movement in the provision for expected credit losses is as follows:

	2020	2019
	KD	KD
Balance at the beginning of the year	2,001,724	2,001,724
Charge during the year (Note 28)	1,926,786	-
Balance at the end of the year	3,928,510	2,001,724

Transactions included in consolidated statement of income:

	Shareholders	2020	2019
	KD	KD	KD
Finance costs	423,657	423,657	422,500
Service rendered to previously associate company	-	-	1,458,490

	2020	2019
	KD	KD
Key management compensation:		
Salaries and short term benefits	235,000	291,250
End of service benefits	22,440	28,440

The amounts due from related parties are non-interest bearing and are receivable on demand.

The amounts due to related parties are non-interest bearing and are payable on demand except for amounts due to Shareholders which carries an interest rate of 6.5% (2019: 6.5%) per annum.

The related parties' transaction was made on terms equivalent to those that prevail in an arm's-length transactions. These terms are substantiated by similar transactions with unrelated parties.

13. CASH AND CASH EQUIVALENTS

	2020	2019
	KD	KD
Cash on hand	123,133	163,775
Cash at banks	1,799,440	1,194,786
Short term deposit	118,602	112,185
	2,041,175	1,470,746

The average effective interest rate on short term deposit as at 31 December 2020 was 2% (2019: 2%) per annum which is pledged against borrowings (Note 19).

14. SHARE CAPITAL

	2020	2019
	KD	KD
Authorised and issued shares:		
172,962,242 shares (2019: 172,962,242 shares) of 100 fils each. All shares are paid in cash.	17,296,224	17,296,224

15. SHARE PREMIUM

This represents cash received in excess of the par value of the shares issued. Share premium is not available for distribution except in cases stipulated by law.

16. TREASURY SHARES

	2020	2019
Number of shares (share)	7,966,743	7,966,743
Percentage to paid up shares (%)	4.61%	4.61%
Market value (KD)	1,577,415	2,182,888
Cost (KD)	1,480,519	1,480,519

Based on the decision of the Capital Markets Authority, the Parent Company’s management has locked off an amount equal to treasury shares balance from share premium as the date of consolidated financial statements. Such amount will not be available for distribution over the period in which the Parent Company holds treasury shares. Treasury shares are not pledged.

17. STATUTORY RESERVE

As required by the Companies’ Law and the Parent Company's Articles of Association, 10% of the net profit for the year attributable to shareholders of the Parent Company before calculation of the contribution to NLST, KFAS, Zakat and Board of Directors’ remuneration is transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the statuary reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's articles of association.

17. STATUTORY RESERVE (CONTINUED)

It is not allowed to distribute statutory reserve to shareholders; it is only allowed to use it to distribute profits to shareholders up to 5% of paid-up share capital in the years when retained earnings are not sufficient for the payment of a dividend of that amount.

Since there is accumulated losses as of the end of the year, there was no transfer to statutory reserve during the current year.

18. VOLUNTARY RESERVE

As required by the Parent Company's Article of Association, a percentage of the net profit for the year attributable to shareholders of the Parent Company before calculation of the contribution to NLST, KFAS, Zakat and Board of Directors' remuneration. Voluntary reserve should be transferred based on the Board of Directors' recommendation that is subject to approval of the general assembly of the Parent Company's shareholders. Such annual transfers may be discontinued by the Parent Company based on a resolution of the shareholders' general assembly upon recommendation by the Board of Directors.

Since there is accumulated losses as of the end of the year, there was no transfer to voluntary reserve during the current year.

19. BORROWINGS

Borrowings represent terms loans and Murabaha payables granted by local and foreign banks at an interest / profit rate ranging from 2% to 4% (2019: from 2.5% to 4%) per annum over the Central Bank of Kuwait's discount rate.

Collaterals
Borrowings are secured against the followings collaterals:

- Shareholders personal guarantees,
- Assignment of some contract revenues,
- 43,982,797 of capital shares which is related to major shareholders,
- Guarantees from related parties and subsidiaries Companies,
- Mortgage of the Group's properties (Note 5),
- Mortgage the entire 26% ownership of Health Assurance Hospital Company K.S.C.P. "investment in associate" as of 31 December 2019 (Note 6),
- Financial assets at fair value through other comprehensive income (Note 7),
- Short term deposit (Note 13).

Presented below maturity profile of borrowings as follows:

	Non-current		**Current**	
	2020	**2019**	**2020**	**2019**
	KD	KD	KD	KD
Term loans	33,867,031	73,313,156	81,684,577	31,368,993
Murabaha payables	5,879,882	11,544,273	34,002,824	9,895,428
Less: deferred profit	(262,920)	(351,726)	(958,983)	(417,870)
	5,616,962	11,192,547	33,043,841	9,477,558
	39,483,993	84,505,703	114,728,418	40,846,551

19. BORROWINGS (CONTINUED)

As of 31 December 2020, the Group has default term loans with principal amounts of KD 23,952,039 and its interest payable of KD 1,888,187, in addition, the Group has default Murabaha payables of KD 94,383 which represent the principal and its profit payable. The Group is in the process of rescheduling these installments on the above term loans and Murabaha payables.

During the current year, the Group has rescheduled its remaining borrowings to be settled during the subsequent financial year.

20. LEASE LIABILTIES

Set out below, are the carrying amounts of the Group's lease liabilities and the movements during the year:

	2020	2019
	KD	KD
Balance at 1 January	474,654	564,163
Lease payments	(46,070)	(46,070)
Reversal on disposal	(43,439)	(43,439)
Balance at 31 December 2020	385,145	474,654

Set out below, are the maturity profile of lease liabilities as follows:

	Current	Non-Current	Total
2020	KD	KD	KD
Lease liabilities	39,312	345,833	385,145

	Current	Non-Current	Total
2019	KD	KD	KD
Lease liabilities	46,070	428,584	474,654

The following are the amounts recognised the consolidated statement of income:

	2020	2019
	KD	KD
Interest expense on lease liabilities	1,316	2,546
Expense relating to short-term leases	2,402,856	4,071,917
Total amount recognised in the consolidated statement of income	2,404,172	4,074,463

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business.

20. LEASE LIABILTIES (CONTINUED)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

2020	Within 5 years	More than 5 years	Total
	KD	KD	KD
Extension options exercised	229,171	412,508	641,679
	229,171	412,508	641,679

2019	Within 5 years	More than 5 years	Total
	KD	KD	KD
Extension options exercised	257,061	514,123	771,184
	257,061	514,123	771,184

21. DUE TO BANKS

Due to banks represent facilities granted by local banks carrying interest rates ranging from 2.5% to 4% (2019: from 2.5% to 4%) over the Central Bank of Kuwait's discount rate.

Due to banks includes a balance amounting of KD 1,346,055 (2019: KD 1,350,294) which is granted to the Group by local bank, carrying interest rates 5.5% (2019: 5.5%) per annum.

Due to banks are secured against collaterals described in (Note 19).

22. NOTES PAYABLE

This item represents notes payable resulted from commercial transactions carrying interest rates ranging from 2.5% to 4% (2019 from 2.5% to 4%) over the Central Bank of Kuwait's discount rate.

Notes payable are secured against collaterals described in (Note 19).

23. FINANCE LEASE OBLIGATIONS

This item represents the balance of finance lease obligations which is granted to the Group by local financial institutions, carrying an interest rates ranging from 6.5% to 8% (2019: from 6.5% to 8%) per annum. These obligations were granted to the Group against personal guarantee of the shareholders.

24. TRADE PAYABLES AND OTHER PAYABLES

	2020	2019
	KD	KD
Trade payables	9,943,122	10,546,534
Provision for leaves	3,295,627	2,778,015
Advance from customers	1,769,228	1,211,810
Retention	111,970	110,475
Staff payables	1,638,181	364,190
Accrued expenses	7,233,849	6,500,213
Other provision	477,606	-
Provisions for legal case (Note 37)	7,087,565	-
Others *	21,528,000	21,528,000
	53,085,148	43,039,237

* This represents a non-interest bearing fund granted by Mashfa for Medical Services W.L.L ("Mashfa") for financing portion of the investment of the Group (Health Assurance Hospital Company K.S.C.P. ("Dhaman") which is recognised as investment at fair value through other comprehensive income (2019: investment in associate). Currently, there is a legal case resulted from the dispute between the parties relating to the assignment right provided to Mashfa (Note 37).

25. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by type of revenue, type of customer, primary geographical market and timing of revenue recognition.

	For the financial year ended 31 December 2020		
Segments	**Oil and gas**	**Commercial**	**Total**
	KD	KD	KD
Type of revenue			
Services and maintenance	20,286,099	-	20,286,099
Construction	11,676,983	-	11,676,983
Manpower supply	3,219,243	-	3,219,243
Sale of goods	-	40,416,947	40,416,947
Others	-	2,935,940	2,935,940
Total revenue from contracts with customers	35,182,325	43,352,887	78,535,212
Type of customer			
Government	34,956,434	925,750	35,882,184
Non-government	225,891	42,427,137	42,653,028
Total revenue from contracts with customers	35,182,325	43,352,887	78,535,212
Primary geographical markets			
State of Kuwait	35,182,325	35,484,195	70,666,520
GCCs	-	7,868,692	7,868,692
Total revenue from contracts with customers	35,182,325	43,352,887	78,535,212
Timing of revenue recognition			
Services / goods transferred at a point in time	-	40,865,328	40,865,328
Services transferred over time	35,182,325	2,487,559	37,669,884
Total revenue from contracts with customers	35,182,325	43,352,887	78,535,212

25. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

	For the financial year ended 31 December 2019		
Segments	**Oil and gas**	**Commercial**	**Total**
	KD	KD	KD
Type of revenue			
Services and maintenance	30,521,590	-	30,521,590
Construction	14,136,703	-	14,136,703
Manpower supply	3,688,386	-	3,688,386
Sale of goods	-	52,879,839	52,879,839
Others	-	3,519,960	3,519,960
Total revenue from contracts with customers	48,346,679	56,399,799	104,746,478
Type of customer			
Government	46,696,326	1,394,640	48,090,966
Non-government	1,650,353	55,005,159	56,655,512
Total revenue from contracts with customers	48,346,679	56,399,799	104,746,478
Primary geographical markets			
State of Kuwait	48,346,679	45,371,927	93,718,606
GCCs	-	11,027,872	11,027,872
Total revenue from contracts with customers	48,346,679	56,399,799	104,746,478
Timing of revenue recognition			
Services / goods transferred at a point in time	-	55,506,309	55,506,309
Services transferred over time	48,346,679	893,490	49,240,169
Total revenue from contracts with customers	48,346,679	56,399,799	104,746,478

25. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Satisfaction of performance obligations in contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service/product	Nature and timing of satisfaction of performance obligations, including significant payment terms
Services and maintenance	Invoices for services are issued on a monthly basis and are usually payable within 30 days.
Construction	The Group recognise revenue from construction contracts overtime on a cost to cost method (input method) i.e. based on the proportion of the contract costs incurred for the work performed to date relative to the estimated cost.
Manpower supply	Invoices for manpower supply are issued on a monthly basis and are usually payable within 30 days.
Sale of goods	Customers obtain control of products when the goods are dispatched from the Group’s warehouse. Invoices are generated and revenue is recognised at that point in time. Invoices are usually payable within 30 to 90 days. No discounts, loyalty points or returns are offered for the products.

26. COST OF REVENUE

	2020	2019
	KD	KD
Staff costs	16,344,709	20,915,363
Materials usage	31,421,161	43,048,987
Subcontractors costs	4,858,306	4,649,825
Technical services fees	246,256	259,638
Rent	1,289,437	1,941,266
Depreciation (Note 5)	1,534,454	2,236,181
Rental equipment	120,868	1,022,105
Bank charges	1,309,724	1,116,731
Fuel expenses	288,467	659,587
Maintenance and insurance	339,932	821,195
Professional fees	-	126,767
Travel expenses	205,186	477,774
Others	147,356	1,410,288
	58,105,856	78,685,707

27. GENERAL AND ADMINISTRATIVE EXPENSES

	2020	2019
	KD	KD
Staff costs	7,358,862	7,899,133
Rent	992,551	1,108,546
Legal and professional fees	432,787	91,575
Sales commissions	563,797	625,687
Depreciation (Note 5)	709,026	520,574
Bank charges	30,275	88,475
Travel expenses	2,802	36,669
Subscriptions fees	8,306	64,271
Communications	20,919	17,357
Maintenance and insurance	18,273	72,783
Printing and stationary	8,951	10,615
Others	1,719,181	2,490,264
	11,865,730	13,025,949

28. PROVISION FOR EXPECTED CREDIT LOSSES

	2020	2019
	KD	KD
Contract receivables (Note 10)	8,750,367	1,264,791
Trade receivables and other debit balances (Note 11)	950,028	815,088
Due from related parties (Note 12)	1,926,786	-
	11,627,181	2,079,879

29. BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY

Basic and diluted earnings / (loss) per share is computed by dividing profit / (loss) for the year attributable to the Shareholders of the Parent Company by the weighted average number of shares outstanding during the year less weighted average number of treasury shares.

	2020	2019
Net profit / (loss) for the year attributable to Shareholders of the Parent Company (KD)	1,763,185	(1,641,868)
<u>Number of outstanding shares:</u>		
Weighted average number of outstanding shares (share)	172,962,242	172,962,242
Less: weighted average number of treasury shares (share)	(7,966,743)	(7,966,743)
Weighted average number of outstanding shares (share)	164,995,499	164,995,499
Basic and diluted earnings / (loss) per share (fils)	10.69	(9.95)

The Parent Company had no outstanding dilutive shares.

30. ANNUAL GENERAL ASSEMBLY MEETING

The Board of Directors meeting held on 30 April 2021 proposed not to distribute cash or share dividends and no distribution of Board of Directors' Remuneration for the financial year ended 31 December 2020, and it is subject to the approval of the Shareholders' Annual General Assembly.

The Annual General Assembly Meeting of the Parent Company Shareholders held on 12 May 2020 approved the consolidated financial statements for the financial year ended 31 December 2019 and approved no distribution of dividends for the financial year ended 31 December 2019.

31. SEGMENT INFORMATION

For management purposes the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- Oil and gas
- Retails
- Investments
- Constructions

There are no inter-segmental transactions. The following segments are reported in a manner that is more consistent with internal reporting provided to the chief operating decision maker:

	Oil and gas		**Retails**		**Investments**		**Constructions**		**Total**	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Segment revenue	41,519,895	57,132,592	38,256,850	48,096,187	24,563,702	11,666	1,136,858	495,953	105,477,305	105,736,398
Segment (loss) / profit	(6,033,434)	3,562,522	1,185,589	1,170,308	5,022,988	(5,348,003)	(51,852)	(62,148)	123,291	(677,321)
Assets	147,831,243	139,257,175	41,189,778	47,660,348	90,341,132	71,846,788	13,242,336	13,437,721	292,604,489	272,202,032
Liabilities	139,600,605	127,182,043	24,697,154	29,130,355	86,389,884	76,490,758	1,114,042	343,185	251,801,685	233,146,341

32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of movements of liabilities to cash flows arising from financing activities:

The changes in liabilities arising from financing activities can be reconciled with their opening balances separately from changes in those other liabilities as the follows:

	Borrowings	Lease liabilities	Due to banks	Notes payable	Finance lease obligations	Total
	KD	KD	KD	KD	KD	KD
Balance as at 31 December 2018 ("as previously stated")	112,568,239	-	9,096,531	29,036,880	754,738	151,456,388
Impact of adoption of IFRS 16 at 1 January 2020	-	523,142	-	-	-	523,142
Balance as at 1 January 2019 ("restated")	112,568,239	523,142	9,096,531	29,036,880	754,738	151,979,530
Proceeds	29,214,608	-	-	-	-	29,214,608
Repayments of principle	(16,430,593)	(48,488)	-	-	-	(16,479,081)
Net movement	-	-	1,106,376	1,879,807	(491,984)	2,494,199
Finance costs	8,562,040	2,546	188,561	1,217,390	45,788	10,016,325
Finance costs paid	(8,562,040)	(2,546)	(188,561)	(1,217,390)	(45,788)	(10,016,325)
Balance as at 31 December 2019	125,352,254	474,654	10,202,907	30,916,687	262,754	167,209,256
Balance as at 1 January 2020	125,352,254	474,654	10,202,907	30,916,687	262,754	167,209,256
Proceeds	12,125,024	-	-	400,000	-	12,525,024
Repayments of principle	(6,331,056)	(46,070)	(948,124)	-	-	(7,325,250)
Liquidation of Letter of guarantees	4,887,255	-	-	-	-	4,887,255
Net movement	-	(43,439)	(1,051,603)	(1,419,399)	(212,149)	(2,726,590)
Re-structured	18,178,934	-	(228,553)	(17,950,381)	-	-
Finance costs	8,924,270	1,912	271,409	244,017	31,921	9,473,529
Finance costs paid	(8,924,270)	(1,912)	(271,409)	(244,017)	(31,921)	(9,473,529)
Balance as at 31 December 2020	154,212,411	385,145	7,974,627	11,946,907	50,605	174,569,695

33. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At the consolidated statement of financial position date, the Parent Company is contingently liable in respect of capital commitments and contingent liabilities are as follow:

	2020	2019
	KD	KD
Capital commitments		
Financial assets at FVOCI / investment in associate *	29,990,000	29,990,000
Construction contract related to property, plant and equipment	-	193,455
	29,990,000	30,183,455
Contingent liabilities		
Letters of credit	3,103,814	3,015,879
Letters of guarantees	79,606,729	74,197,159
Letters of acceptance	709,604	1,106,216
Certified cheques	387,301	-
	83,807,448	78,319,254

* There is a legal case relating to the unpaid capital of the investment (Note 37).

During the year, letters of guarantee of KD 4,887,255 issued by the Group related to existing contracts for supply of goods and rendering of services to projects were liquidated resulting in losses recognised in the consolidated statement of income. The Group is in the process of taking legal actions to recover the amounts of letters of guarantees that have been liquidated.

34. CAPITAL MANAGEMENT AND FINANCIAL RISK

Financial risk

Risk is inherent in the Group’s activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group’s continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities.

The main risks arising from the Group’s financial instruments are market risk, credit risk, and liquidity risk. Market risk is divided into interest risk, equity price risk, and foreign currency risk. No changes were made in the risk management objectives and policies during the years ended 31 December 2020 and 31 December 2019.

The Parent Company’s Board of Directors is ultimately responsible to set out policies and strategies for management of risks.

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Categories of financial instruments

	2020	2019
	KD	KD
Financial assets		
Financial assets at fair value through other comprehensive income	97,230,531	5,837,353
Contract retentions	2,239,429	2,338,208
Contract assets	3,185,371	4,283,163
Contract receivables	72,212,344	67,407,752
Trade receivables and other debit balances (excluding prepayments)	15,821,560	21,123,718
Due from related parties	3,760,144	4,583,449
Financial assets at fair value through profit or loss	3,889	4,943
Cash and cash equivalents	2,041,175	1,470,746
	196,494,443	107,049,332
Financial liabilities		
Borrowings	154,212,411	125,352,254
Lease liabilities	385,145	474,654
Due to banks	7,974,627	10,202,907
Notes payable	11,946,907	30,916,687
Finance lease obligations	50,605	262,754
Contract liabilities	324,746	1,459,031
Trade payables and other payables (excluding advances from customers)	51,315,920	41,827,427
Due to related parties	18,441,609	15,547,744
	244,651,970	226,043,458

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, equity prices and foreign currencies. 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, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

i. *Interest rate risk*

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets and financial liabilities carrying floating interest rates. The effective interest rates and the years in which interest bearing financial assets and liabilities are re-priced or mature are indicated in the respective notes.

The Group is not exposed on interest rate risk on a portion of due to banks amounted of KD 1,346,055 (2019: KD 1,350,294) (Note 21) and on finance lease obligation amounted of KD 50,605 (2019: KD 262,754) (Note 23), since it carries a non-floating interest rate.

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

i. Interest rate risk (Continued)

The following table shows the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit through the impact of changing the interest rate. The effect of decrease in interest rate is expected to be equal and opposite to the effect of the increases shown below:

	31 December 2020		
	Increase against interest rate	Balance	Effect on consolidated statement of income and equity
	%	KD	KD
Borrowings	0.5%	79,134,479	395,672
Lease liabilities	0.5%	385,145	1,926
Due to banks	0.5%	7,974,627	39,873
Notes payable	0.5%	11,946,907	59,735

	31 December 2019		
	Increase against interest rate	Balance	Effect on consolidated statement of income and equity
		KD	KD
Borrowings	0.5%	67,896,998	339,485
Lease liabilities	0.5%	474,654	2,373
Due to banks	0.5%	10,202,907	51,015
Notes payable	0.5%	13,662,112	68,311

ii. Equity price risk

Equity price risk is the risk that the fair value of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share price. Equity price risk arises from the changes in fair values of equity investments.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as at the date of the consolidated financial statements: The effect of decreases in market prices is expected to be equal and opposite to the effect of the increases shown:

	2020		2019	
	Increase against equity price	Effect on consolidated statement of income and equity	Increase against equity price	Effect on consolidated statement of income and equity
	%	KD	%	KD
Quoted securities	5%	194	5%	247

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Market risk (Continued)

iii. Foreign currency risk

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The Group has transactional currency exposure on account of purchases in currencies other than functional currency.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates used by the Group against the Kuwaiti Dinar. The effect of decrease in currency is expected to be equal and opposite to the effect of the increases shown below:

	2020		2019	
Currency	**Increase against Kuwaiti Dinar**	**Effect on consolidated statement of income and equity**	**Increase against Kuwaiti Dinar**	**Effect on consolidated statement of income and equity**
	%	KD	%	KD
US Dollar	5%	14,927	5%	10,410
British pound	5%	462	5%	306
Euro	5%	2,229	5%	19,565
UAE Dirhams	5%	1,035	5%	2,988
Indian Rupee	5%	808	5%	252

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of participation in contract assets, contract receivables, trade receivables and other debit balances (excluding prepayments), due from related parties and bank balances and short-term deposit. The Group's cash are placed with high credit rating financial institutions. The Group’s contract receivables, trade receivables and due from related parties are presented net of allowance for expected credit losses.

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

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

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

Risk of impairment of financial assets
Financial assets at risk of impairment include "Contract retentions", "Contract assets", "Contract receivables", "Trade receivables and other debit balances (excluding prepayments)", "Due from related parties" and "Cash equivalents".

Contract receivables
The Group applies the simplified method in accordance with IFRS 9 to measure expected credit losses using an expected loss provision based on the expected credit loss period for all contract receivables.

To measure expected credit losses, contacts receivables were collected based on the characteristics of the combined credit risk and the maturity dates. Therefore, the Group's management considers that the expected credit losses for contract receivables are a reasonable approximation of actual customer failure results in subsequent periods.

More than 75% of the Group's customers are governmental customers have been transacting with the Group for over four years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Group and existence of previous financial difficulties.

The Group does not require collateral in respect of contract receivables. The Group does not have contract receivables for which no loss allowance is recognised because of collateral.

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Risk of impairment of financial assets (Continued)

Contract receivables (Continued)
On this basis, the provision for expected credit losses was determined as at 31 December 2020 and 31 December 2019 as follows:

31 December 2020:

Contract receivables	From 0 to 30 days	From 31 to 90 days	From 91 to 180 days	from 181 to 365 days	Above 365 days	Total
	KD	KD	KD	KD	KD	KD
Governmental receivables						
Contract receivables balance	4,891,071	8,802,265	12,825,809	23,843,168	14,968,738	65,331,051
Weighted average loss rate	1.08%	2.43%	4.07%	4.76%	13.37%	-
Provision for expected credit losses	52,824	213,823	522,134	1,135,249	2,001,479	3,925,509
Non-Governmental receivables						
Contract receivables balance	169,489	1,889,574	1,214,952	5,267,054	7,084,583	15,625,652
Weighted average loss rate	7.62%	13.12%	15.76%	40.82%	31.28%	-
Provision for expected credit losses	12,915	247,912	191,476	2,150,011	2,216,536	4,818,850
Total contract receivables	5,060,560	10,691,839	14,040,761	29,110,222	22,053,321	80,956,703
Provision for expected credit losses	(65,739)	(461,735)	(713,610)	(3,285,260)	(4,218,015)	(8,744,359)
	4,994,821	10,230,104	13,327,151	25,824,962	17,835,306	72,212,344

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Risk of impairment of financial assets (Continued)

Contract receivables (Continued)

31 December 2019:

Contract receivables	From 0 to 30 days	From 31 to 90 days	From 91 to 180 days	from 181 to 365 days	Above 365 days	Total
	KD	KD	KD	KD	KD	KD
Governmental receivables						
Contract receivables balance	11,150,147	11,377,347	10,906,086	10,184,285	17,955,952	61,573,817
Weighted average loss rate	0.15%	1.27%	4.63%	4.91%	15.17%	-
Provision for expected credit losses	16,719	144,084	505,399	500,048	2,724,362	3,890,612
Non-Governmental receivables						
Contract receivables balance	1,357,971	638,335	3,124,264	2,071,323	8,482,482	15,674,375
Weighted average loss rate	5.58%	10.74%	13.81%	37.94%	54.09%	-
Provision for expected credit losses	75,775	68,557	431,461	785,860	4,588,175	5,949,828
Total contract receivables	12,508,118	12,015,682	14,030,350	12,255,608	26,438,434	77,248,192
Provision for expected credit losses	(92,494)	(212,641)	(936,860)	(1,285,908)	(7,312,537)	(9,840,440)
	12,415,624	11,803,041	13,093,490	10,969,700	19,125,897	67,407,752

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Risk of impairment of financial assets (Continued)

Contract receivables (Continued)
Contract receivables are written off when there is no reasonable expectation of recovery. Indicators include lack of a reasonable expectation of recovery, among other matters, e.g. the failure of the customer to subscribe to a payment plan with the Group and lack to make contractual payments for more than 365 days except for the contractual retentions. During the current year the Group has written off an amount KD 9,846,448 as a result of COVID 19 pandemic effect.

Trade receivables
The Group applies the simplified method in accordance with IFRS 9 to measure expected credit losses using an expected loss provision based on the expected credit loss period for all trade receivables.

To measure expected credit losses, trade receivables were collected based on the characteristics of the combined credit risk and the maturity dates. Therefore, the Group's management considers that the expected credit losses for trade receivables are a reasonable approximation of actual customer failure results in subsequent periods.

On this basis, the provision for expected credit losses was determined as at 31 December 2020 and 31 December 2019 as follows:

31 December 2020:

Aging	Trade receivables	Percentage of the expected default	Provision for excepted credit losses
	KD		KD
From 0 to 60 days	5,678,130	4.91%	278,796
From 61 to 90 days	1,294,810	9.40%	121,712
From 91 to 180 days	2,161,702	18.40%	397,753
From 181 to 365 days	1,575,184	25.40%	400,097
Above 365 days	4,553,376	67.28%	3,063,546
	15,263,202		4,261,904

31 December 2019:

Aging	Trade receivables	Percentage of the expected default	Provision for excepted credit losses
	KD		KD
From 0 to 60 days	6,994,485	1.82%	127,300
From 61 to 90 days	2,119,831	9.75%	206,684
From 91 to 180 days	3,093,279	6.41%	198,279
From 181 to 365 days	2,554,777	13.63%	348,216
Above 365 days	4,285,127	64.99%	2,785,043
	19,047,499		3,665,522

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Credit risk (Continued)

Risk of impairment of financial assets (Continued)

Trade receivables (Continued)
Trade receivables are written off when there is no reasonable expectation of recovery. Indicators include lack of a reasonable expectation of recovery, among other matters, e.g. the failure of the customer to subscribe to a payment plan with the Group and lack to make contractual payments for more than 365 days except for the contractual retentions.

Contract retentions, contract assets and other debit balances
While contract retentions, contract assets and other debit balances are also subject to the requirements of impairment losses in IFRS 9, the impairment loss is insignificant.

Due from related parties
Due from related parties are reported for a gross amount of KD 7,688,654 as of 31 December 2020 (2019: KD 6,585,173) (Note 12).

The Group recognised a total expected credit losses as at 31 December 2020 amounting to KD 3,928,510 (2019: KD 2,001,724) (Note 12) against all amounts due to past experience indicating that these due from related parties may not be fully recoverable.

Cash equivalents
Cash equivalents are also subject to the requirements of ECLs in IFRS 9. Cash is placed with high credit rating financial institutions. Therefore, the Group's management believes that the impairment loss of cash equivalents is insignificant.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group manages liquidity risk by monitoring on a regular basis that is sufficient funds are available to meet liabilities as they fall due.

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

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Financial risk (Continued)

Liquidity risk (Continued)

The table below summarises the maturity profile of the Group's undiscounted financial liabilities at the date of consolidated statement of financial position based on contractual undiscounted repayment obligations. The undiscounted cash flows of the balances due within 12 months equal its carrying value in the consolidated statement of financial position.

	2020				
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD	KD
Borrowings	16,345,702	20,392,108	79,872,786	44,746,160	161,356,756
Lease liabilities	3,276	9,828	26,208	345,833	385,145
Due to banks	-	-	7,974,627	-	7,974,627
Notes payable	-	-	11,946,907	-	11,946,907
Finance lease obligations	-	-	50,605	-	50,605
Trade payables and other payables (excluding advances from customers)	-	-	51,315,920	-	51,315,920
Due to related parties	-	-	18,441,609	-	18,441,609
	16,348,978	20,401,936	169,628,662	45,091,993	251,471,569

	2019				
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	KD	KD	KD	KD	KD
Borrowings	3,702,342	5,476,223	31,667,986	98,684,108	139,530,659
Lease liabilities	3,839	11,517	30,714	428,584	474,654
Due to banks	-	-	10,202,907	-	10,202,907
Notes payable	-	-	30,916,687	-	30,916,687
Finance lease obligations	-	-	262,754	-	262,754
Trade payables and other payables (excluding advances from customers)	-	-	41,827,427	-	41,827,427
Due to related parties	-	-	15,547,744	-	15,547,744
	3,706,181	5,487,740	130,456,219	99,112,692	238,762,832

34. CAPITAL MANAGEMENT AND FINANCIAL RISK (CONTINUED)

Capital risk management

The Group's objectives when managing capital resources are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital, issue new shares, sell some assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	2020	2019
	KD	KD
Gearing ratio		
Borrowings	154,212,411	125,352,254
Lease liabilities	385,145	474,654
Due to banks	7,974,627	10,202,907
Notes payable	11,946,907	30,916,687
Finance lease obligations	50,605	262,754
Total borrowings	174,569,695	167,209,256
Less: cash and cash equivalents	(2,041,175)	(1,470,746)
Net debt	172,528,520	165,738,510
Equity attributable to Shareholders of the Parent Company	33,973,698	30,569,951
Total capital invested	206,502,218	196,308,461
Gearing ratio	83.55%	84.43%

35. FAIR VALUE MEASUREMENT

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

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

35. FAIR VALUE MEASUREMENT (CONTINUED)

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

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

As of 31 December 2020 the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these financial instruments.

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

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

	Level 1	**Level 3**	**Total**
	KD	KD	KD
31 December 2020			
Financial assets at fair value through other comprehensive income			
Local unquoted securities	-	97,230,531	97,230,531
Financial assets at fair value through profit or loss			
Local quoted securities	3,889	-	3,889

	Level 1	**Level 3**	**Total**
	KD	KD	KD
31 December 2019			
Financial assets at fair value through other comprehensive income			
Local unquoted securities	-	5,837,353	5,837,353
Financial assets at fair value through profit or loss			
Quoted securities	4,943	-	4,943

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

35. FAIR VALUE MEASUREMENT (CONTINUED)

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument is included in level 3.

	Date of valuation	**Significant unobservable inputs (Level 3)**
		KD
Assets measured at fair value:		
Revalued property, plant and equipment		
Freehold lands	31 December 2020	3,627,996
Leasehold lands	31 December 2020	10,763,000

	Date of valuation	**Significant unobservable inputs (Level 3)**
		KD
Assets measured at fair value:		
Revalued property, plant and equipment		
Freehold lands	31 December 2019	3,551,160
Leasehold lands	31 December 2019	11,145,000

Freehold and leasehold lands fair value was determined using the market comparable method. Valuations performed are based on prices of transactions involving properties of a similar nature, location and condition. Since this valuation was performed using a significant non-observable input, the fair value was classified as a Level 3 measurement.

Changes in level 3 fair values are analysed at the end of each reporting period during the half-yearly valuation discussion between the Group’s management and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

During the year, there were no transfers between level 1, level 2 and level 3.

35. FAIR VALUE MEASUREMENT (CONTINUED)

Quantitative information about fair value measurements using significant unobservable inputs for freehold and leasehold lands

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements for freehold and leasehold lands:

	Fair value at 2020	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average) 2020	Relationship of unobservable inputs to fair value
	KD		KD	KD	
Non - financial assets measured at fair value:					
Revalued property, plant and equipment					
Freehold lands	3,627,996	Market comparable approach	Price per square meter (KD)	110 - 100	The higher the price per square meter, the higher the fair value
Leasehold lands	10,763,000	Market comparable approach	Price per square meter (KD)	275 - 315	The higher the price per square meter, the higher the fair value
Financial assets measured at fair value:					
Financial assets at fair value through other comprehensive income					
Local unquoted securities	97,230,531	Discontinued cash Flow approach	Discount rate and growth rate	-	The higher the discount rate, the lower the fair value

	Fair value at 2019	Valuation technique	Unobservable inputs	Range of inputs (probability-weighted average) 2019	Relationship of unobservable inputs to fair value
	KD		KD	KD	
Non - financial assets measured at fair value:					
Revalued property, plant and equipment					
Freehold lands	3,551,160	Market comparable approach	Price per square meter (KD)	352 – 362	The higher the price per square meter, the higher the fair value
Leasehold lands	11,145,000	Market comparable approach	Price per square meter (KD)	404.36 – 468	The higher the price per square meter, the higher the fair value
Financial assets measured at fair value:					
Financial assets at fair value through other comprehensive income					
Local unquoted securities	5,837,353	Discontinued cash Flow approach	Discount rate and growth rate	-	The higher the discount rate, the lower the fair value

35. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of level 3 fair value measurements:

	2020
	KD
Financial assets at fair value through other comprehensive income	
Balance at 1 January	5,837,353
Transferred from investment in associate	90,778,513
Changes in fair value	614,665
Balance at 31 December	97,230,531

	2019
	KD
Financial assets at fair value through other comprehensive income	
Balance at 1 January	5,739,031
Changes in fair value	98,322
Balance at 31 December	5,837,353

	2020
	KD
Revalued property, plant and equipment (freehold and leasehold lands)	
Balance at 1 January 2020	14,696,160
Revaluation adjustment	992,171
Impairment losses	(50,964)
Disposal of leasehold land	(1,196,926)
Disposal of right of use	(53,074)
Foreign currencies translation adjustments	2,751
Balance at 31 December 2020	14,390,118

	2019
	KD
Revalued property, plant and equipment (freehold and leasehold lands)	
Balance at 1 January 2019	8,203,272
Impact of adoption IFRS 16 at 1 January 2019	523,142
Revaluation adjustment	6,723,523
Impairment losses	(748,434)
Foreign currencies translation adjustments	(5,343)
Balance at 31 December 2019	14,696,160

36. COMPENSATION PROFIT FROM LEGAL CLAIMS

On 24 January 2017, Arabi Engineering & Mechanical Works Company W.L.L. (the “Plaintiff” or the “Subsidiary”) filed a legal claim before “the Court of First Instance” against Al-Essa Medical and Scientific Equipment Company W.L.L. (“the Defendant”) under No. 2017/504 to cancel the plot (50) sale contract (the “Plot”) dated 11 September 1999 due to failure of the Defendant to pay the agreed upon price and to appoint experts committee for estimating the losses incurred by the Plaintiff during the period equal to the previous rent value since 11 September 1999.

36. COMPENSATION PROFIT FROM LEGAL CLAIMS (CONTINUED)

On 16 July 2020, the Court of Cassation rendered a judgment upholding the appeal judgment issued on 6 February 2019 cancelling the sale contract executed between the Plaintiff and Defendant, and it ordered the Defendant to evict and handover the plot to the Plaintiff free of any occupations. The court ordered the Defendant to pay the Plaintiff an amount of KD 906,166 for using the plot and an amount of KD 7,000 monthly as a rent value as of March 2018 until the evacuation date. Further, it ordered the Defendant to pay the expenses of KD 20 as attorney's fee and confiscating the bail.

This resulted in a profit of KD 1,124,614 which was received during the current year.

37. LEGAL CLAIMS

There are certain lawsuits filed by / against the Group, which directly related to the investment in Health Assurance Hospitals Company K.P.S.C. ("Dhaman") and one of the Group's creditors, as mentioned below. Results of such lawsuits can not be valuated unless a final judgment is rendered by the Court. A provision against the legal cases amounting to KD 7,087,565 recorded in the consolidated statement of income for the year ended 31 December 2020, According to the external legal counsel point of view the Group's management believes that there will be no need for any other additional provision.

Health Assurance Hospitals Company K.P.S.C. (Public) ("Dhaman"):

There is a legal claim filed against Health Assurance Hospitals Company K.S.C. (Public) (the "Company") and other parties, which is deliberated before the Capital Markets Authority's Court - commercial, civil, regarding the subscription to share capital of the Company and requesting an appeal against the incorporation procedures of Health Assurance Hospitals Company K.P.S.C. The session dated 19 May 2021 is scheduled. In addition to that, there is another legal claim against Health Assurance Hospitals Company K.P.S.C requesting the cancellation and compensation against the dismissal of the members of Arabi Holding Group Company K.S.C. (Public) (the "Parent Company") from the Board of Directors of Health Assurance Hospitals Company K.P.S.C. On 24 February 2021, the court decided to dismiss the lawsuit. Arabi Group Holding Company has appealed against the ruling. No date has been set for the hearing to date.

There is a legal case filed against Dhaman Company requesting the deletion of commercial register of Dhaman Company. A judgment to the effect of lack of jurisdiction and referral to the Capital Market Authority's Court - administrative has been rendered and the session dated 26 May 2021 is scheduled.

A case filed by Arabi Holding Group Company against Health Assurance Hospitals Company and other parties requesting the cancellation of Capital Markets Authority's decision issued on 18 March 2021 related to the shares of Health Assurance Hospitals Company, which includes a summary part for stay of execution and a request for the delegation of an expert to investigate allegation of forgery of contents of Shareholders' register of Health Assurance Hospitals Company from the Kuwait Investment Authority that it subscribed on behalf of the nationals. A session dated 6 June 2021 is scheduled for considering the case and for pursual and service.

37. LEGAL CLAIMS (CONTINUED)

Further, there is a case filed by Arabi Holding Group Company against Capital Markets Authority and Boursa Kuwait requesting the delegation of an expert and, on a summary basis, to suspend the decision of CMA Board of Commissioners issued on 15 March 2021 delisting Arabi Holding Group Company's share from trading and, in merits, to request cancellation of decision. The hearing dated 2 May 2021 is scheduled for considering the case before the administrative circuit - CMA 4.

In the opinion of the Group's external legal counsel, these cases and the related judgments are likely to be in favor of the Group.

Mashfa for Medical Services W.L.L ("Mashfa") (one of Group's creditors for finance of Dhaman (previously the "Associate")):

A legal claim filed by the Parent Company against Mashfa requesting a temporary compensation of KD 5,001 and invalidating the assignment of right for using the assignment of right issued in favor of Mashfa, on the basis of issuance of final judgment in favor of the Parent Company which legally invalidates the lending of KD 21,000,000, which is included in trade and other payables in the consolidated financial statements. The Court of First Instance has issued a judgment in favor of Mashfa and the judgment was appealed before the Court of Appeal and the hearing is adjourned until 19 May 2021. Accordingly, legal cases filed by and against the Parent Company with Mashfa and other parties, requesting a delegation of an expert to estimate the damages incurred by the Parent Company as a result of the precautionary attachment made by Mashfa on the shares and funds of the Parent Company due to a certified cheque issued by the Parent Company in favor of Mashfa. The case was dismissed and the judgement was appealed.

Furthermore, there are several requests submitted by the Mashfa Company for delegation of an expert regarding the precautionary attachment against the Parent Company and other parties as well as the agreement concluded between the Group and Mashfa Company on 3 July 2013 and 7 April 2021 and obliging the Group to settle a cheque of KD 8 million, and it does not represent a debt owed by the Company. Such legal cases are still being deliberated by the Courts of Justice.

In the opinion of the Group's external legal counsel, these cases and the related judgments are likely to be in favor of the Group.

38. THE IMPACT OF COVID-19 PANDEMIC ON THE GROUP'S ACTIVITY

In relation to the recent COVID-19 outbreak, The Group has assessed the principal risks and uncertainties, including the COVID-19 pandemic and the impact it is having on economic activity. The Group actively monitors the impact of COVID-19 and adopting cost control measures to mitigate against the potential impact of weaker stock trading. These measures have included:

- The reduction of appropriate variable costs;
- Tight control of discretionary expenditure;
- a recruitment freeze;
- And reduction in working hours and employees.

38. THE IMPACT OF COVID-19 PANDEMIC ON THE GROUP'S ACTIVITY (CONTINUED)

Going Concern
The Group has performed an assessment of whether there is a going concern in light of current economic conditions and all available information about risks and future uncertainties. The projections have been prepared covering the Group‘s future performance, capital and liquidity using the estimates of cash. Despite of the ever-growing impact of COVID-19, the current expectations indicate that the Group has sufficient resources to continue in its operational existence and its going concern position remains largely unaffected and unchanged since 31 December 2020. As a result, the consolidated financial statements have been appropriately prepared on a going concern basis.

Property, plant and equipment
The Group carries its leasehold land at revalued amounts, which were valued during the year, due to market volatility arising from economic conditions due to global pandemic, and based on results of the valuation, the revalued amount were lower than the carrying amount, therefore the Group has recognised a loss on revaluation amounted to KD 50,964 in the consolidated statement of income (Note 5).

Provision for obsolete and slow moving inventories
The inventories provision has been reviewed for post-period changes in expected net realisable value, driven by changes in customer buying behavior as a result of COVID-19. All inventory provision requires judgment, and is based on a number of factors including current and expected sales performance, stock over current trends and changes in technology.

Following the review, the Group anticipated no additional obsolete and slow moving inventories provision is required.

Provision for expected credit losses for receivables
IFRS 9 requires the estimation of expected credit loss (“ECL”) based on current and forecasted economic conditions. In order to assess ECL under forecast economic conditions, the Group concluded that such situation is likely to lead to an increase in the ECL from receivables. This is mainly due to the increase of the counterparty risk (risk of default) from customers.

The uncertainties caused by COVID-19, have required the Group recognised an additional provision for expected credit losses for contract receivables, trade receivables, and due from related parties amounting to KD 8,750,367 (Note 10), KD 950,028 (Note 11), and KD 1,926,786 (Note 12) respectively, recognised in the consolidated statement of income.

Borrowings
The management has taken steps to ensure adequate liquidity is available to the Group for the likely duration of the crisis and the recovery period. In addition, the Group has granted a loan amounted to KD 496,740 from a local bank against the consequence of the COVID-19 outbreak.

As of 31 December 2020, the Group has default term loans with principal amounts of KD 23,952,039 and its interest payable of KD 1,888,187, in addition, the Group has default Murabaha payables of KD 94,383 which represent the principal and its profit payable. The Group is in the process of rescheduling these installments on the above term loans and Murabaha payables.

During the current year, the Group has rescheduled most of its borrowings during the next twelve months after the reporting date.

38. THE IMPACT OF COVID-19 PANDEMIC ON THE GROUP'S ACTIVITY (CONTINUED)

Operating revenues

Operating revenue has effected by COVID-19 outbreak, due to restriction imposed and deduction of the labor

The COVID-19 outbreak affected the Group's revenues due to the restrictions that were imposed to reduce the workforce on the existing projects and the imposition of partial and full curfew had reduce significantly the operating capacity and delaying the receipt of the ordered material overseas. Thus, these obstacles led to delay in the project works, which caused a reduction in the operating revenues and delay of collecting receivables.

Government grants

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

The financial support awarded a government grant amounting to KD 417,000 has been accounted for in accordance with IAS 20 *"Accounting for Government Grants and Disclosure of Government Assistance"* and was recognised as other income in consolidated statement of income on a systematic basis over the periods in which the Group recognises expenses for the related staff costs.

39. COMPARATIVE FIGURES

Certain comparative figures of the prior financial year have been re-classified to conform to the current financial year presentation; the reclassification does not affect the previously disclosed consolidated loss or equity for the year. The details of reclassification are as follows:

	Amount before reclassification	**Reclassification amount**	**Amount after reclassification**
	KD	KD	KD
31 December 2019			
Contract retentions	-	2,338,208	2,338,208
Trade receivables and other debit balances	37,223,193	(2,338,208)	34,884,985
Borrowings	123,474,575	1,877,679	125,352,254
Due to banks	12,080,586	(1,877,679)	10,202,907