



**Consolidated Financial statements  
And  
Independent auditor's report  
Gulf North Africa Holding Company-KPSC  
and Subsidiaries  
Kuwait  
31 December 2020**

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# **Gulf North Africa Holding Company–KPSC and Subsidiaries**

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## Independent auditor's report

To the shareholders of Gulf North Africa Holding Company – KPSC  
Kuwait

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Gulf North Africa Holding Company - KPSC (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

#### **Valuation of investments in real estate**

The Group's investments properties represent 38% of the total assets and consist of lands in Morocco and Syria. The valuation of investment properties is a significant judgment area requiring a number of assumptions including market price and comparison to recent market transactions. Changes in these assumptions and judgments could lead to significant changes in valuation of investment properties and consequently unrealized gains or losses in the consolidated statement of profit or loss. The Group's disclosures about its real estate investments are included in Notes 2.4.5 and 22.3

## Independent Auditor's Report to the Shareholders of Gulf North Africa Holding Company - KPSC (continued)

### **Key Audit Matters- Valuation of investments in real estate (Continued)**

Our audit procedures included assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and their valuations including management's consideration of competence and independence of the external valuers. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with management and challenging the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties.

### **Other information included in the Group's 2020 Annual Report**

Management is responsible for the other information. Other information consists of the information included in the Group's Annual Report for the year ended 31 December 2020, other than the consolidated financial statements and our auditors' report. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report and we expect to obtain the remaining sections of the Group's Annual Report after the date of our auditors' report.

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

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

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

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

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

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

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

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

## Independent Auditor's Report to the Shareholders of Gulf North Africa Holding Company - KPSC (continued)

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

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

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

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

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


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 Gulf North Africa Holding Company - KPSC (continued)**

**Report on Other Legal and Regulatory Requirements**

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we have obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements include all information required by the Companies Law No.1 of 2016, as amended, and its Executive Regulations, as amended, and the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, and that an inventory was carried out in accordance with recognised procedures. To the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its Executive Regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations, during the year ended 31 December 2020 that might have had material effect on the business of the Parent Company or on its financial position.



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**Rabea Saad Al-Muhanna**  
License No. 152 A  
Crowe Al-Muhanna & Co.

Kuwait  
18 March 2021

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Consolidated Statement of Financial Position as at 31 December 2020**

	Notes	2020 KD	2019 KD
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	8,537,087	9,061,380
Intangible asset	5	527,778	569,445
Investment properties	6	7,311,396	7,222,191
Financial assets at fair value through other comprehensive income	7	544,672	801,060
Investment in associates	8	10,149	828,196
Advance for purchase of investment property	9	315,153	365,153
		<u>17,246,235</u>	<u>18,847,425</u>
<b>Current assets</b>			
Accounts receivable and other assets	10	1,388,691	261,522
Investments at fair value through profit or loss		2,988	2,988
Cash and cash equivalents	11	800,309	888,828
		<u>2,191,988</u>	<u>1,153,338</u>
<b>Total assets</b>		<u><b>19,438,223</b></u>	<u><b>20,000,763</b></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	12	15,000,000	15,000,000
Statutory reserve	13	751,821	751,821
Voluntary reserve	13	751,821	751,821
Foreign currency translation reserve		1,530,221	1,409,674
Fair value reserve		(1,300,219)	(991,062)
Accumulated losses		(5,979,714)	(5,647,523)
Total equity attributable to the owners of the Parent Company		<u>10,753,930</u>	<u>11,274,731</u>
Non-controlling interests		<u>5,912,352</u>	<u>6,200,914</u>
		<u>16,666,282</u>	<u>17,475,645</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	14	577,000	907,500
Accounts payable and other liabilities – non-current portion	15	334,714	396,605
Provision for employees' end of service benefits		98,544	78,341
		<u>1,010,258</u>	<u>1,382,446</u>
<b>Current liabilities</b>			
Borrowings – current portion	14	638,643	518,000
Accounts payable and other liabilities	15	1,123,040	624,672
		<u>1,761,683</u>	<u>1,142,672</u>
<b>Total liabilities</b>		<u><b>2,771,941</b></u>	<u><b>2,525,118</b></u>
<b>Total equity and liabilities</b>		<u><b>19,438,223</b></u>	<u><b>20,000,763</b></u>

  
Mishari Ayman Boodai  
Chairman

  
Saleh Mohammad Alroomi  
Vice Chairman & CEO

The notes set out on pages 10 to 37 form an integral part of these consolidated financial statements.



**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Consolidated Statement of Profit or Loss for the year ended 31 December 2020**

	Notes	2020 KD	2019 KD
<b>Continuing operations</b>			
<b>Revenue</b>			
Tuition fees and related income		2,120,323	2,121,444
Management fees		135,394	26,400
Realised gain on disposal of investment properties		4,384	-
Change in fair value of investment properties		(2,056)	207,771
Share of results of associate	8	(32,234)	(14,498)
Loss on derecognition of associate		(16,462)	-
Dividend income		-	48,715
Foreign exchange loss		(1,671)	(9,335)
Lease rent concession		34,575	-
Other income		23,550	87,832
		<u>2,265,803</u>	<u>2,468,329</u>
<b>Expenses and other charges</b>			
Direct cost of tuition fees and related income		(1,448,417)	(1,088,053)
General and administrative expenses	16	(337,089)	(363,359)
Depreciation	4	(456,939)	(468,917)
Amortisation of intangible assets	5	(41,667)	(41,666)
Impairment loss on leasehold land	4	(100,000)	-
Impairment provision of advance for purchase of investment property		(50,000)	-
Finance costs		(97,043)	(191,799)
		<u>(2,531,155)</u>	<u>(2,153,794)</u>
<b>(Loss)/profit for the year continuing operations</b>		<u>(265,352)</u>	<u>314,535</u>
Loss from discontinued operation		-	(405)
<b>(Loss)/profit for the year before NLST and Zakat</b>		<u>(265,352)</u>	<u>314,130</u>
Provision for National Labour Support Tax (NLST)		-	(2,526)
Provision for Zakat		-	(1,010)
<b>(Loss)/profit for the year</b>		<u>(265,352)</u>	<u>310,594</u>
<b>Attributable to :</b>			
Owners of the Parent Company		(196,358)	116,425
Non-controlling interests		(68,994)	194,169
<b>(Loss)/profit for the year</b>		<u>(265,352)</u>	<u>310,594</u>
<b>Basic and diluted (loss)/earnings per share attributable to the owners of the Parent Company</b>			
	17	<u>(1.31) Fils</u>	<u>0.78 Fils</u>
<b>Basic and diluted (loss)/earnings per share – continuing operations attributable to the owners of the Parent Company</b>			
	17	<u>(1.31) Fils</u>	<u>0.78 Fils</u>

The notes set out on pages 10 to 37 form an integral part of these consolidated financial statements.

**Gulf North Africa Holding Company-KPSC and Subsidiaries**  
**Consolidated Statement of Profit or Loss and Other Comprehensive income**  
**for the year ended 31 December 2020**

	2020 KD	2019 KD
(Loss)/profit for the year	<u>(265,352)</u>	<u>310,594</u>
<i>Other comprehensive income/(loss):</i>		
<i>Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods :</i>		
Changes in fair value of investments at fair value through other comprehensive income (FVOCI)	(545,743)	(95,703)
<i>Items that will be reclassified subsequently to consolidated statement of profit or loss :</i>		
Exchange differences arising on translation of foreign operations	<u>132,623</u>	<u>(13,175)</u>
Total other comprehensive loss for the year	<u>(413,120)</u>	<u>(108,878)</u>
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(678,472)</u></b>	<b><u>201,716</u></b>
Total comprehensive (loss)/income attributable to:		
Owners of the Parent Company	(597,830)	(338)
Non-controlling interests	<u>(80,642)</u>	<u>202,054</u>
<b>Total comprehensive (loss)/income for the year</b>	<b><u>(678,472)</u></b>	<b><u>201,716</u></b>

The notes set out on pages 10 to 37 form an integral part of these consolidated financial statements

**Gulf North Africa Holding Company-KPSC and Subsidiaries**  
**Consolidated Statement of Changes in Equity for the year ended 31 December 2020**

	Equity attributable to the owners of the Parent Company										
	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve		Fair value reserve KD	Accumulated losses KD	Sub- total KD	Non- controlling interests KD	Total KD	
				KD	KD						
Balance at 1 January 2020	15,000,000	751,821	751,821	1,409,674	(991,062)	(5,647,523)	11,274,731	6,200,914	17,475,645		
Loss for the year	-	-	-	-	-	(196,358)	(196,358)	(68,994)	(265,352)		
Other comprehensive income/(loss)	-	-	-	120,547	(522,019)	-	(401,472)	(11,648)	(413,120)		
Total comprehensive income/(loss) for the year	-	-	-	120,547	(522,019)	(196,358)	(597,830)	(80,642)	(678,472)		
Transfer upon de-recognition of FVOCI investments	-	-	-	-	212,862	(212,862)	-	-	-		
Minority interest related to newly acquired subsidiary (note 3)	-	-	-	-	-	-	-	-	-		
Acquisition of minority interest from existing subsidiaries	-	-	-	-	-	77,029	77,029	(433,792)	225,872		
<b>Balance at 31 December 2020</b>	<b>15,000,000</b>	<b>751,821</b>	<b>751,821</b>	<b>1,530,221</b>	<b>(1,300,219)</b>	<b>(5,979,714)</b>	<b>10,753,930</b>	<b>5,912,352</b>	<b>16,666,282</b>		
Balance at 1 January 2019 (restated)	15,000,000	751,821	751,821	1,430,734	(1,811,770)	(4,901,614)	11,220,992	8,129,741	19,350,733		
Loss for the year	-	-	-	-	-	116,425	116,425	194,169	310,594		
Other comprehensive (loss)/income	-	-	-	(21,060)	(95,703)	-	(116,763)	7,885	(108,878)		
Total comprehensive (loss)/income for the year	-	-	-	(21,060)	(95,703)	116,425	(338)	202,054	201,716		
Transfer upon de-recognition of FVOCI investments	-	-	-	-	916,411	(916,411)	-	-	-		
Acquisition of minority interest from existing subsidiaries	-	-	-	-	-	54,077	54,077	(2,130,881)	(2,076,804)		
<b>Balance at 31 December 2019</b>	<b>15,000,000</b>	<b>751,821</b>	<b>751,821</b>	<b>1,409,674</b>	<b>(991,062)</b>	<b>(5,647,523)</b>	<b>11,274,731</b>	<b>6,200,914</b>	<b>17,475,645</b>		

The notes set out on pages 10 to 37 form an integral part of these consolidated financial statements.

**GULF NORTH AFRICA HOLDING COMPANY – KPSC AND SUBSIDIARIES**  
**Consolidated Statement of Cash Flows for the year ended 31 December 2020**

	Notes	2020 KD	2019 KD
<b>OPERATING ACTIVITIES</b>			
(Loss)/profit for the year		(265,352)	310,594
Adjustments for:			
Depreciation	4	456,939	468,917
Amortisation of intangible assets	5	41,667	41,666
Loss on derecognition of associate		16,462	-
Impairment loss on leasehold land	4	100,000	-
Impairment provision for advance paid for investment property		50,000	-
Dividend income		-	(48,715)
Change in fair value of investment properties		2,056	(207,771)
Realised gain on disposal of investment properties		(4,384)	-
Finance costs		97,043	226,236
Share of results of associates	8	32,234	14,498
Provision for employees' end of service benefits		42,975	39,138
		<u>569,640</u>	<u>844,563</u>
Changes in operating assets and liabilities:			
Accounts receivable and other assets		(1,127,169)	(177,660)
Accounts payable and other liabilities		355,767	(429,648)
Cash (used in)/from operations		<u>(201,762)</u>	<u>237,255</u>
Employees' end of service benefits paid		<u>(22,772)</u>	<u>(58,057)</u>
<b>Net cash (used in)/from operating activities</b>		<u>(224,534)</u>	<u>179,198</u>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current assets held for sale		-	5,381,000
Payment for investment properties		-	(17,875)
Proceeds from sale of investment properties		56,877	1,181,910
Proceeds from sale of financial assets at fair value through comprehensive income		-	216,468
Purchase of property, plant and equipment		(32,646)	(67,590)
Proceeds from disposals of property, plant and equipment		-	2,394
Net cash outflow on business combination		-	(161,873)
Dividend income received		-	40,715
Payment for acquisition of minority interests		(356,763)	(1,172,942)
Return of capital from associate		550,119	-
<b>Net cash from investing activities</b>		<u>217,587</u>	<u>5,402,207</u>
<b>FINANCING ACTIVITIES</b>			
Movement in Ijara financing		-	(3,556,131)
Change in borrowings		(209,857)	(1,517,999)
Settlement of lease liabilities		-	(27,488)
Finance costs paid		(52,211)	(226,236)
<b>Net cash used in financing activities</b>		<u>(262,068)</u>	<u>(5,327,854)</u>
Net impact of foreign currency translation adjustments		(12,771)	(13,175)
<b>(Decrease)/increase in cash and cash equivalents</b>		<u>(281,786)</u>	<u>240,376</u>
Cash and cash equivalents on acquisition of subsidiary		193,267	-
Cash and cash equivalents at the beginning of the year		888,828	648,452
<b>Cash and cash equivalents at the end of the year</b>	11	<u>800,309</u>	<u>888,828</u>

The notes set out on pages 10 to 37 form an integral part of these consolidated financial statements

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**1 Incorporation and activities**

Gulf North Africa Holding Co.–KPSC (the "Parent Company") was incorporated on 3 December 2005 as a Kuwaiti Public Shareholding Company. The General Assembly meeting for establishment of the Parent Company was held at the Ministry of Commerce and Industry on 14 December 2005. The Parent Company's shares were listed on the Kuwait Stock Exchange on 23 March 2010.

The main objectives of the Parent Company are as follows:

- Extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trade marks or royalties and any other property related thereto, and renting such properties to the others whether inside Kuwait or abroad.
- Acquisition of properties and buildings necessary to carry out the business activities as allowable by the law.
- Ownership of shares in Kuwaiti and foreign shareholding companies in addition to ownership of shares in Kuwaiti and foreign limited liability companies and the participation in the share capital of both types of companies including management, lending and guaranteeing against third parties.
- Utilizing excess funds through investing in financial portfolios managed by specialized companies and institutions.

The Parent Company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The Parent Company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the Company in achieving its objectives whether in Kuwait or abroad. The Parent Company has the right to establish, participate in or acquire such institutions.

The Parent Company's shares are listed on Kuwait Stock Exchange. The Group comprises the Parent Company and its subsidiaries. Details of subsidiaries are set out in note 3.

In all cases, the Parent Company is governed in all its activities by Islamic Sharia'a and all activities which are in compliance of Islamic Sharia'a board are obligatory to the Parent Company. The address of the Parent Company's registered office is PO Box 4425, Safat 13045, State of Kuwait.

The consolidated financial statements of the Group for the year ended 31 December 2020 were authorised for issue by the Parent Company's board of directors on 18 March 2021 and are subject to the approval of the General Assembly of the shareholders.

**2 Basis of preparation and significant accounting policies**

**2.1 Basis of preparation**

These consolidated financial statements have been prepared under the historical cost basis of measurement except for investment properties, non-current assets held for sale and financial instruments classified as financial assets at fair value through profit and loss ("financial assets at FVTPL") and financial assets at fair value through other comprehensive income ("financial assets at FVOCI"), which are measured at fair value.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is also the Group's functional and presentation currency.

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

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas where estimates and assumptions are significant to the consolidated financial statements, or areas involving a higher degree of judgment, are disclosed in note 24.

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**2 Basis of preparation and significant accounting policies (continued)**

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

In the current year, the Group has applied amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an annual accounting period that begins on or after 1 January 2020.

**Amendments to IFRS 3 - Definition of Combination**

Amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Further, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendment has no impact on the Group's financial statements, but it may impact on future periods if the company enter into any business combination.

**In case of applying IFRS 16 and there are covid-19-related rent concessions**

**Amendments to IFRS 16 - Covid 19 Related Rent Concessions**

In May 2020, the International Accounting Standards Board (Board) issued Covid-19-Related Rent Concessions, which amended IFRS 16 Leases. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- 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) Any reduction in lease payments affects only payments due on or before 30 June 2021; and
- c) There is no substantive change to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in the financial statements not yet authorized for issue at 28 May 2020. The Group has opted for earlier adoption of the above amendment.

**Amendments to IAS 1 and IAS 8 : Definition of Material Information**

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 consolidated financial statements make on the basis of those consolidated 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 consolidated 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 financial statements. Also it is expected that it will not have any future impact to the Group.

**2.3 New and amended standards not yet effective:**

The below new and amended IFRSs are effective for the periods after the reporting date. Those standards are not adopted in the preparation of consolidated financial statements and it is expected that they will not have significant impact on the Group's financial statements.

Description	Effective for the annual period starts on or after
Amendments to IAS 1 Classification of Liabilities	1 Jan 2023
Amendments to IFRS 10 and IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture	1 Jan 2021
Amendments to IAS 16 – Proceeds before intended use	1 Jan 2022
Amendments to IFRs 3 – Update a reference to conceptual framework	1 Jan 2022
Amendments to IAS 37 - Onerous Contracts — Cost of Fulfilling a Contract	1 Jan 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 Jan 2022

## **2 Basis of preparation and significant accounting policies (continued)**

### **2.4 Significant accounting policies**

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below.

#### **2.4.1 Basis of consolidation**

The Group controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

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

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

Statement of profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

When a controlling interest in the subsidiaries is disposed off, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

#### **2.4.2 Business combinations**

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

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

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

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in consolidated statement of profit or loss immediately. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

**2 Basis of preparation and significant accounting policies (continued)**

**2.4.3 Property, plant and equipment and depreciation**

Property, plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Property, plant and equipment are subsequently measured using the cost model, at cost less subsequent depreciation and impairment losses. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment. The useful lives are as follows:

Buildings on leasehold land	18
Computers and software	3
Furniture and fixtures	5
Decoration, office equipment and machines	5
Library	2
Right of use assets	14

Material residual value estimates and estimates of useful life are updated as required, but at least annually. When there is an indication of impairment, assets are written down to its recoverable amount and the resultant impairment loss is recognized in profit or loss. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in profit or loss

**2.4.4 Intangible assets**

Intangible assets acquired separately are measured at cost upon initial recognition. The cost of the intangible assets acquired in business combination is the fair value as at the acquisition date. After initial recognition, the intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, if any.

The cost of the intangible assets with definite useful lives is amortized over their useful economic lives and they are evaluated for the determination of any impairment if there are indications that the intangible asset may be impaired. The amortization period and method of the intangible assets with definite useful lives are reviewed at least at the end of every financial year. Changes in the expected useful lives or the model expected to depreciate the future economic benefits of the assets are accounted for by changing the period or method of amortization, as appropriate, and are considered as changes in accounting estimations. Amortization expenses of the intangible assets with definite useful lives are recognized in the consolidated statement of profit or loss under the expenses consistent with the function of the intangible asset.

Profit or loss resulting from de-recognition of an intangible asset are measured by the difference between the net sale proceeds and book value of the asset. These profit or loss are carried in the consolidated statement of profit or loss upon de-recognition of the asset. The following is a summary of the policy applied to intangible assets of the Group:

	<b>Useful life</b>
The right to license for the establishment and operation of a technical college (Amortization commenced upon completion of the project)	18 years

**2.4.5 Investment properties**

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are revalued annually and are included in the statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property.

Any gain or loss resulting from either a change in the fair value or the sale of an investment property is immediately recognised in consolidated statement of profit or loss.



**2 Basis of preparation and significant accounting policies (continued)**

**2.4.5 Investment properties (continued)**

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

**2.4.6 Properties under development**

Properties under development represent properties held for future use as investment properties and are initially measured at cost. Subsequently, properties under development are carried at fair value that is determined based on valuation performed by independent valuers at the end of each year using valuation methods consistent with the market conditions at the reporting date. Gains or losses from change in the fair value are recognised in the consolidated statement of profit or loss.

If the Group determines that the fair value of an investment property under development is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group measures that investment property under development at cost until either its fair value become reliably determinable or development is completed (whichever is earlier).

**2.4.7 Investment in associates**

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the income and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. The associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

**2.4.8 Recognition and de-recognition of financial assets and financial liabilities**

A financial asset or a financial liability is recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual right to cash flows from the financial assets has expired or the Group has transferred substantially all risks and rewards of ownership of the financial asset, or when it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and when it no longer retains control over the asset. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**2.4.9 Classification of financial assets and financial liabilities**

IFRS 9 requires financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

*Business model assessment*

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at Fair Value through Profit or Loss. The Group's business model is based on observable factors such as:

**2 Basis of preparation and significant accounting policies (continued)**

**2.4.9 Classification of financial assets and financial liabilities (continued)**

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment

*Assessment of whether contractual cash flows are solely payments of principal and profit*

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Profit (the 'SPPP').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of profit within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPP assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets at FVTPL
- Financial assets at FVOCI

*Financial assets carried at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPP) on the principal amount outstanding.

Cash and bank balances, accounts receivable and other assets in the nature of financial assets are classified as debt instruments at amortised cost.

*Financial assets at FVTPL*

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial assets at FVOCI*

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Equity instruments at FVOCI are subsequently measured at fair value. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in statement of profit or loss when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

**2 Basis of preparation and significant accounting policies (continued)**

**2.4.9 Classification of financial assets and financial liabilities - (continued)**

**Classification and subsequent measurement of financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective yield method. The Group's financial liabilities include accounts payable and other liabilities, borrowings and lease liabilities.

*Accounts payable and other liabilities*

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

*Murabaha payables*

Murabaha payables represent amounts payable on a deferred settlement basis for assets purchased under murabaha arrangements. Murabaha payables are stated at the contractual amount payable less deferred profit payable. Profit payable is expensed on time apportionment basis taking account of the profit rate attributable and the balance outstanding.

*Due to related parties*

Due to related parties are financial liabilities arising in the normal courses of the business and have no fixed or determinable repayments and are not quoted in an active market.

*Ijara financing*

Ijara finance payable ending with ownership is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. The Ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

**2.4.10 Impairment of financial assets**

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9. The amount of expected credit losses is updated at consolidated statement of financial position date.

The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL under the general approach. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized.

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument. When the Group is not able to measure expected credit losses on an individual instrument basis due to cost and effort constraints, it determines significant increases in credit risk on a collective basis, and for this purpose Group's financial instruments on the basis of shared credit risk characteristics.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date based on factors that include financial difficulty of the customer or a default or past due event. For these assets, lifetime ECL are recognized as the difference between the financial asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective profit rate. The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure, the value of any collateral.

**2 Basis of preparation and significant accounting policies (continued)**

**2.4.10 Impairment of financial assets - (continued)**

Any adjustments to the carrying amount of the financial asset arising from expected credit losses is recognized in profit or loss as an impairment gain or loss and the loss allowance for ECL is presented as a deduction from the gross carrying amount of the financial assets at amortised cost.

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12 month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group recognizes ECL for bank balances using the general approach described above. The Group applies the simplified approach to recognise lifetime expected credit losses for its accounts receivable and other assets that are financial assets as permitted by IFRS 9.

**Event of default**

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

**2.4.11 Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale rather than through continuing use. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management may extend the period to complete the sale beyond one year, if the delay beyond the Parent Company's control and there is sufficient evidence that the Parent Company remains committed to its plan to sell the assets.

Property, plant and equipment are not depreciated once classified as held for sale. Assets and liabilities classified as held for sale presented separately as current items in the consolidated statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as single amount as profit or loss after tax from discontinued operation in the consolidated statement of profit or loss.

**2.4.12 Offsetting of financial instruments**

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.

**2.4.13 Fair value of financial instruments**

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

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

## **2 Basis of preparation and significant accounting policies (continued)**

### **2.4.14 Impairment testing of non financial assets**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable profit rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

### **2.4.15 Equity, reserves and dividend payments**

Share capital represents the nominal value of shares that have been issued and paid up.

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies Law and the Parent Company's articles of association.

Other components of equity include the following:

- Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into Kuwaiti Dinars.
- Fair value reserve – comprises gains and losses relating to FVOCI investments.

Accumulated losses include all current and prior period retained profit/(losses). All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in accounts payable and other liabilities when the dividends have been approved in a general meeting.

### **2.4.16 Treasury shares**

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "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 then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

### **2.4.17 Employees' end of service benefits**

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date. With respect to its Kuwaiti national employees, in addition to the above, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

### **2.4.18 Foreign currency translation**

#### ***Functional and presentation currency***

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### ***Foreign currency transactions and balances***

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange

**2 Basis of preparation and significant accounting policies (continued)**

**2.4.18 Foreign currency translation (continued)**

rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

**Foreign operations**

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

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

**2.4.19 Provisions, contingent assets and contingent liabilities**

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

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

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

**2.4.20 Revenue recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods. Revenue is measured based on the consideration to which the Group expects to be entitled with a customer and excludes amounts collected on behalf of third parties. The Group has concluded that it is the principal in all of its revenue arrangements since it typically controls goods or services before transferring it to the customer.

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

**Sale of goods**

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer generally on delivery of the goods.

**Rendering of services**

Revenue from rendering of services is recognised over time as and when related services are provided and the amount of revenue can be measured reliably.

**Dividend income**

Dividend income, other than those from investments in associates, are recognised at the time the right to receive payment is established.

**Rental income**

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

**2.4.21 Operating expenses**

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

**2 Basis of preparation and significant accounting policies (continued)**

**2.4.22 Finance cost**

Finance cost is recognised in the consolidated statement of profit or loss on a time proportion basis over the period of related liabilities.

**2.4.23 Taxation**

***National Labour Support Tax (NLST)***

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

***Kuwait Foundation for the Advancement of Sciences (KFAS)***

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

***Zakat***

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

***Taxation on overseas subsidiaries***

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

**2.4.24 Leases**

***Group as a lessee***

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

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

***a) Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The carrying value of the right-of-use assets are presented under property, plant and equipment in the consolidated statement of financial position.

***b) Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and are presented under other liabilities in the consolidated statement of financial position.

**Gulf North Africa Holding Company-KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**2 Basis of preparation and significant accounting policies (continued)**

**2.4.25 Segment reporting**

The Group has two operating segments: local and international segments. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transfers are carried out at arm's length prices.

For management purposes, the Group uses the same measurement policies as those used in its financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

**3 Subsidiaries**

*Composition of the Group*

Set out below details of the subsidiaries held by the Group:

	Country of incorporation	Voting capital held		Activities
		2020	2019	
Al-Janzour Real Estate Company WLL	Kuwait	100%	100%	Real estate
Gulf Morocco Co. W.L.L.	Saudi Arabia	100%	100%	Real estate
Casablanca Real Estate Co. Ltd	Cayman Islands	48.29%	48.29%	Real estate
Dream Real Estate Co. Ltd	Cayman Islands	47.09%	47.09%	Real estate
SARL EL Awras El Khalijia Promotion Immo	Algeria	100%	100%	Real estate
Morocco North Africa Holding Company Ltd.	Morocco	100%	100%	Real estate
Al-Siraj Group Holding Company – KSC (Closed)	Kuwait	63.28%	57.94%	Education
Rawaj Holding Company K.S.C.(Closed)	Kuwait	54.49%	-	Real estate

**\* Acquisition of subsidiary**

During the year, the Parent Company acquired additional 10% equity interest of Rawaj Holding Company K.S.C.(Closed), previously an associate with 44.166% equity holding, and obtained control over it. The purchase consideration and the values of assets acquired and liabilities assumed, as well as the non-controlling interest at the proportionate share of the acquiree's identifiable net assets, are summarized as follows:

	KD
<b>Assets</b>	
Financial assets at fair value through other comprehensive income	338,993
Accounts receivable and other receivable	250
Cash and bank balances	193,267
	532,510
<b>Liabilities</b>	
Accounts payable and other payable	36,128
Net assets acquired (A)	496,382
Assets transferred (B)	51,278
Fair value of existing investment derecognised from investment in associate (C)	219,232
Non-controlling interests (D)	225,872
<b>Total (B)+(C)+(D)-(A)</b>	-

Subsequent to the above acquisition, the Group acquired another 0.33% equity interest from the minority interest.



**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**3 Subsidiaries (continued)**

*Subsidiaries with material non-controlling interests*

The Group includes the following subsidiaries with material non-controlling interests (NCI):

**a) Casablanca Real Estate Co. Ltd**

Summarised consolidated financial information of Casablanca Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	2020 KD	2019 KD
Non-current assets	5,836,959	5,465,858
Current assets	385	1,279
Current liabilities	2,884,583	2,761,786
Total equity attributable to the owners of the Parent Company	1,425,888	1,306,414
Non-controlling interests (NCI)	1,526,873	1,398,937
<b>Profit for the year attributable to the owners of the Parent Company</b>	<b>178,876</b>	<b>18,051</b>
Profit for the year attributable to NCI	191,544	19,330
<b>Profit for the year</b>	<b>370,420</b>	<b>37,381</b>
Other comprehensive (loss)/income for the year attributable to the owners of the Company	(59,402)	14,518
Other comprehensive (loss)/income for the year attributable to NCI	(63,608)	15,546
<b>Total other comprehensive (loss)/income for the year</b>	<b>(123,010)</b>	<b>30,064</b>
Total comprehensive income for the year attributable to the owners of the Company	119,474	32,569
Total comprehensive income for the year attributable to NCI	127,936	34,876
<b>Total comprehensive income for the year</b>	<b>247,410</b>	<b>67,445</b>
Net cash (used)/from operating activities	(632)	148
<b>Net cash (outflow)/inflow</b>	<b>(632)</b>	<b>148</b>

**b) Dream Real Estate Co. Ltd**

Summarised consolidated financial information of Dream Real Estate Co. Ltd, before intragroup eliminations, is set out below:

	2020 KD	2019 KD
Non-current assets	1,474,437	1,756,333
Current assets	867,999	899,888
Current liabilities	359,522	391,653
Total equity attributable to the owners of the Parent Company	933,754	1,066,385
Non-controlling interests	1,049,160	1,198,183
<b>Loss for the year attributable to the owners of the Parent Company</b>	<b>(184,161)</b>	<b>(16,980)</b>
Loss for the year attributable to NCI	(270,112)	(20,116)
<b>Loss for the year</b>	<b>(454,273)</b>	<b>(37,096)</b>
Other comprehensive income/(loss) attributable to the owners of the Parent Company	51,530	(3,874)
Other comprehensive income/(loss) for the year attributable to NCI	57,898	(5,360)
<b>Total other comprehensive income/(loss) for the year</b>	<b>109,428</b>	<b>(9,234)</b>
Total comprehensive loss for the year attributable to the owners of the Parent Company	(132,631)	(20,854)
Total comprehensive loss for the year attributable to NCI	(212,214)	(25,476)
<b>Total comprehensive loss for the year</b>	<b>(344,845)</b>	<b>(46,330)</b>
Net cash flow from/(used in) operating activities	521	(11,222)
<b>Net cash inflow/(outflow)</b>	<b>521</b>	<b>(11,222)</b>

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**3 Subsidiaries (continued)**

**c) Al-Siraj Group Holding Company – KSC (Closed)**

Summarised consolidated financial information of Al-Siraj Group Holding Company – KSC (Closed), before intragroup eliminations, is set out below:

	2020 KD	2019 KD
Non-current assets	9,060,720	9,626,685
Current assets	1,613,234	711,902
Non-current liabilities	913,241	977,058
Current liabilities	1,641,027	1,278,202
Total equity attributable to the owners of the Parent Company	5,138,200	4,691,234
Non-controlling interests	2,981,486	3,392,093
Revenue	2,178,448	2,167,365
Expenses	(2,142,089)	(1,703,909)
<b>Profit for the year</b>	<b>36,359</b>	<b>463,456</b>
Other comprehensive income	-	-
Total comprehensive income attributable to the owners of the Parent Company	23,008	268,501
Total comprehensive income attributable to NCI	13,351	194,955
<b>Total comprehensive income for the year</b>	<b>36,359</b>	<b>463,456</b>
Net cash flow from operating activities	68,338	526,321
Net cash flow used in investing activities	(30,662)	(67,112)
Net cash flow used in financing activities	(268,043)	(459,716)
<b>Net cash outflow</b>	<b>(230,367)</b>	<b>(507)</b>

**Gulf North Africa Holding Company-KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**4 Plant, plant and equipment**

2020	Leasehold land* KD	Buildings on lease hold land* KD	Computers and software KD	Furniture and fixtures KD	Decoration and office equipment KD	Machines KD	Library KD	Right of use assets KD	Total KD
Cost									
At 1 January 2020	3,500,000	6,624,529	375,543	246,018	26,995	2,675	-	446,242	11,222,002
Additions during the year	-	-	9,081	7,080	8,743	1,640	6,102	-	32,646
Impairment loss	(100,000)	-	-	-	-	-	-	-	(100,000)
<b>At 31 December 2020</b>	<b>3,400,000</b>	<b>6,624,529</b>	<b>384,624</b>	<b>253,098</b>	<b>35,738</b>	<b>4,315</b>	<b>6,102</b>	<b>446,242</b>	<b>11,154,648</b>
Accumulated depreciation									
At 1 January 2020	-	(1,594,794)	(308,246)	(208,925)	(21,752)	(1,324)	-	(25,581)	(2,160,622)
Charge for the year	-	(368,029)	(18,690)	(29,196)	(4,127)	(650)	(2,712)	(33,535)	(456,939)
<b>At 31 December 2020</b>	<b>-</b>	<b>(1,962,823)</b>	<b>(326,936)</b>	<b>(238,121)</b>	<b>(25,879)</b>	<b>(1,974)</b>	<b>(2,712)</b>	<b>(59,116)</b>	<b>(2,617,561)</b>
Net book value									
<b>At 31 December 2020</b>	<b>3,400,000</b>	<b>4,661,706</b>	<b>57,688</b>	<b>14,977</b>	<b>9,859</b>	<b>2,341</b>	<b>3,390</b>	<b>387,126</b>	<b>8,537,087</b>

2019	Leasehold land* KD	Buildings on lease hold land* KD	Computers and software KD	Furniture and fixtures KD	Decoration and office equipment KD	Machines KD	Library KD	Right of use assets KD	Total KD
Cost									
At 1 January 2019	3,500,000	6,624,529	313,450	249,820	26,091	1,840	-	-	10,715,730
Additions during the year	-	-	62,093	3,758	904	835	-	446,242	513,832
Disposals	-	-	-	(7,560)	-	-	-	-	(7,560)
<b>At 31 December 2019</b>	<b>3,500,000</b>	<b>6,624,529</b>	<b>375,543</b>	<b>246,018</b>	<b>26,995</b>	<b>2,675</b>	<b>-</b>	<b>446,242</b>	<b>11,222,002</b>
Accumulated depreciation									
At 1 January 2019	-	(1,226,764)	(283,727)	(168,031)	(17,417)	(932)	-	-	(1,696,871)
Charge for the year	-	(368,030)	(24,519)	(46,060)	(4,335)	(392)	-	(25,581)	(468,917)
Disposals	-	-	-	5,166	-	-	-	-	5,166
<b>At 31 December 2019</b>	<b>-</b>	<b>(1,594,794)</b>	<b>(308,246)</b>	<b>(208,925)</b>	<b>(21,752)</b>	<b>(1,324)</b>	<b>-</b>	<b>(25,581)</b>	<b>(2,160,622)</b>
Net book value 31 December 2019									
<b>At 31 December 2019</b>	<b>3,500,000</b>	<b>5,029,735</b>	<b>67,297</b>	<b>37,093</b>	<b>5,243</b>	<b>1,351</b>	<b>-</b>	<b>420,661</b>	<b>9,061,380</b>

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**4 Plant, plant and equipment (continued)**

**\* Leasehold land and Buildings on leasehold land**

Leasehold land represents land leased from the Government for a period of 20 years starting from the beginning of the fourth year of the contract signing date. The contract signing was on 24 February 2010 and done by the Kuwait Technical College ( a subsidiary company owned by "Al-Siraj") with the Ministry of Finance – State's Property Contracts Department – for the design, implementation, management and investment of Kuwait Technical College project on the land appropriated thereto and located in Ahmadi Governorate, Abu Halifa, the area of which amounts to 50,000 sq.m. in accordance with the area chart no. (C/38358) approved by Kuwait Municipality.

Based on the independent valuations obtained by the Group for the purpose of impairment testing, the fair value of the leasehold land was KD 3,400,000 on 31 December 2020. It is considered as having an indefinite useful life because of the normal market trends that supports its continuous renewal, and hence, it is not amortised.

The building on leasehold land represents the building construction cost for the Kuwait Technical College's project on the above leasehold land.

**5 Intangible asset**

<b>Cost</b>	<b>2020</b> KD	<b>2019</b> KD
At beginning of the year	750,000	750,000
At end of the year	750,000	750,000
<b>Amortisation</b>		
At beginning of the year	(180,555)	(138,889)
Charge for the year	(41,667)	(41,666)
At end of the year	(222,222)	(180,555)
<b>Net book value</b>	<b>527,778</b>	<b>569,445</b>

On 7 November 2006, Al-Siraj Group Holding Company – KSC (Closed) ("Al-Siraj"), a subsidiary company acquired by the Group during the year 2018, made an agreement to purchase the full shares in Kuwait Technical College (a subsidiary of Al-Siraj) at the fair value of the net tangible assets of that subsidiary on the purchase date amounted to KD466. However in return for waiver by the old partners in that subsidiary of their rights in the final license issued from the General Secretariat of the Board of Private Universities to establish the college and the location allocated to establish the college and the license for the establishment of the college issued by the Decree No. 303/2005 dated 23 November 2005 and all rights of the college curriculum and all agreements concluded with the authorities directly related to the project in addition to the commercial license of that subsidiary, it had been agreed to pay the amount of KD 750,000 against those rights. Intangible asset represents the amount paid for those rights.

**6 Investment properties**

	<b>2020</b> KD	<b>2019</b> KD
Properties in Morocco	1,474,437	1,756,333
Properties in Syria	5,836,959	5,465,858
	<b>7,311,396</b>	<b>7,222,191</b>
The movement in investment properties is as follows:		
At 1 January	7,222,191	5,564,307
Transfer from properties under development	-	2,806,428
Additions	-	17,875
Disposals	(52,221)	(1,374,190)
Change in fair value	(2,056)	207,771
Foreign currency translation difference	143,482	-
At 31 December	<b>7,311,396</b>	<b>7,222,191</b>

Note 22.3 sets out how the fair value of the investment properties has been determined.

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**7 Financial assets at fair value through other comprehensive income**

	2020 KD	2019 KD
Local unquoted equity securities	-	75,625
Foreign unquoted investments/equity securities	544,672	725,435
	<u>544,672</u>	<u>801,060</u>

As on 31 December 2020, the foreign unquoted investments KD 544,672 represent portfolio investment in units of certain tower in Saudi Arabia.

**8 Investment in associates**

Details of the Group's associates are set out below:

Name of associate	Country of incorporation	Ownership percentage		Principal activities
		2020	2019	
Libya General Trading Company – WLL	Kuwait	26%	26%	Real Estate
Rawaj Holding Company – KSC(Closed)	Kuwait	-	44.166%	Real Estate

All the above associates are unquoted.

The movement in investment in associates is as follows:

	2020 KD	2019 KD
At 1 January	828,196	624,057
Additions	-	218,637
Share of results for the year	(32,234)	(14,498)
Return of capital from an associate	(550,119)	-
Loss on derecognition on transfer to investment in a subsidiary	(16,462)	-
Transfer to investment in a subsidiary (note 3)	(219,232)	-
At 31 December	<u>10,149</u>	<u>828,196</u>

Summarised financial information of the Group's associate is set out below:

**Libya General Trading Company – WLL :**

	2020 KD	2019 KD
Total assets (current assets)	39,285	2,676,274
Total liabilities (current liabilities)	(250)	(1,371)
<b>Net assets</b>	<u>39,035</u>	<u>2,674,903</u>
<b>Group's carrying amount of investment in this associate</b>	<u>10,149</u>	<u>594,449</u>
Revenue	15,067	-
Loss for the year	(120,965)	(78,575)
<b>Group's share of loss for the year</b>	<u>(31,451)</u>	<u>(20,430)</u>

**9 Advance for purchase of investment property**

This represents advance payments to purchase an investment property in Turkey. In accordance with the original agreement, the delivery of investment property was due in April 2017 but it was not fulfilled. Hence the Group has initiated legal proceeding for recovering the advance amount paid. During the year an impairment loss of KD 50,000 was recognised on the advance amount.

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**10 Accounts receivable and other assets**

	2020 KD	2019 KD
Accounts receivable	1,335,211	224,084
Accrued revenue	-	8,000
Prepaid expenses	2,098	1,102
Other receivables	51,382	28,336
	<u>1,388,691</u>	<u>261,522</u>

Financial assets comprise of the following:

	2020 KD	2019 KD
Neither past due nor impaired	<u>1,335,211</u>	<u>260,420</u>

The Group has determined that the ECL allowance for accounts receivable and other assets that are financial assets is not material.

**11 Cash and cash equivalents**

Cash and cash equivalents included in the consolidated statement of cash flows comprise of the following:

	2020 KD	2019 KD
Saving accounts	8,526	6,049
Cash in hand	1,382	5,409
Bank balances	782,914	865,490
Balance in investment portfolio account	7,487	11,880
	<u>800,309</u>	<u>888,828</u>

**12 Share capital**

At 31 December 2020, the authorised, issued and fully paid share capital in cash of the Parent Company comprised 150,000,000 shares of 100 fils each (2019: 150,000,000 shares of 100 fils each). All shares in cash.

**13 Reserves**

The Companies Law and the Parent Company's articles of association require that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the statutory reserve. The shareholders of Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of the paid up share capital.

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

The Parent Company's articles of association and the Companies Law requires that 10% of the profit for the year before KFAS, NLST, Zakat and Directors' remuneration is transferred to the voluntary reserve. There are no restrictions on distribution of voluntary reserve.

No such transfers are required when the Group incurred loss or accumulated losses exist.

**14 Borrowings**

	2020 KD	2019 KD
Murabaha and wakala facilities	1,215,643	1,425,500
Less: Current portion	(638,643)	(518,000)
Murabaha and wakala facilities –non-current portion	<u>577,000</u>	<u>907,500</u>

- (a) On 26 September 2018, the subsidiary of Al-Siraj (Kuwait Technical College – SPC) renewed its existing financing contract (wakala) amounting to KD 1,073,000 with an Islamic banking institution operating in the State of Kuwait. The facility is due in 16 quarterly equal installments commencing from 26 December 2018.

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
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**14 Borrowings (continued)**

The wakala facilities are granted against the insurance policy of the subsidiary company's building and guaranteed by the Al-Siraj. The wakala facilities carry finance costs at the rate of 4% above the discount rate of the Central Bank of Kuwait.

- (b) On 10 April 2018, the subsidiary of Al-Siraj (Kuwait Technical College – SPC) renewed its existing financing facility (murabaha) amounted to KD1,000,000 with an Islamic banking institution operating in the State of Kuwait. The facility is due in 16 quarterly equal installments commencing from 1 October 2018.

The murabaha facilities are granted against the insurance policy of the subsidiary company's building and guaranteed by Al-Siraj. The murabaha facilities carry finance costs at the rate of 3% above the discount rate of the Central Bank of Kuwait.

- (c) The installments payable within one year from the consolidated financial position date have been stated under current liabilities.

**15 Accounts payable and other liabilities**

	2020 KD	2019 KD
Accounts payable and accruals	891,393	384,022
Lease liabilities	408,129	418,754
Due to related parties (note : 18)	117,818	180,425
Staff leave provision	31,764	29,226
Dividend payable	8,650	8,850
	<u>1,457,754</u>	<u>1,021,277</u>
Amount due after one year	<u>(334,714)</u>	<u>(396,605)</u>
	<u>1,123,040</u>	<u>624,672</u>

**16 General and administrative expenses**

	2020 KD	2019 KD
Staff costs	160,618	134,391
Administrative expenses	176,471	228,968
	<u>337,089</u>	<u>363,359</u>

**17 Basic and diluted (loss)/earnings per share attributable to owners of the Parent Company**

Basic and diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the owners of the Parent Company by the weighted average number of shares in issue excluding treasury shares.

	2020	2019
(Loss)/profit for the year attributable to the owners of the Parent Company (KD)	<u>(196,358)</u>	<u>116,425</u>
Weighted average number of shares	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted (loss)/earnings per share	<u>(1.31) Fils</u>	<u>0.78 Fils</u>
(Loss)/profit for the year continuing operations (KD)	<u>(196,358)</u>	<u>116,830</u>
Basic and diluted (loss)/earnings per share –continuing operations	<u>(1.31) Fils</u>	<u>0.78 Fils</u>

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**18 Related party transactions**

Related parties represent the major shareholders, associates, directors, entities under common control and key management personnel of the Group and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

	2020 KD	2019 KD
<b>Due to related parties (note 15)</b>		
Due to associate	-	71,269
Due to minority shareholder of a subsidiary	117,818	109,156
	<u>117,818</u>	<u>180,425</u>
<b>Transactions included in consolidated statement of profit or loss :</b>		
Management fee income	130,394	21,400
<b>Compensation of key management personnel:</b>		
Salaries and short term benefits	42,215	36,865
End of service benefits	2,051	1,255
	<u>44,266</u>	<u>38,120</u>

**19 Segmental information**

The Group's reportable segments under IFRS 8 are as follows:

- Local
- International

The revenues and profits generated by the Group from segments are summarised as follows:

	Local KD	International KD	Total KD
<b>31 December 2020</b>			
Revenue	2,265,145	2,329	2,267,474
Segment loss	(111,706)	(151,975)	(263,681)
Foreign exchange loss			(1,671)
Loss for the year			<u>(265,352)</u>
Total assets	11,212,045	8,226,178	19,438,223
Total liabilities	2,645,537	126,404	2,771,941
Net assets	<u>8,566,508</u>	<u>8,099,774</u>	<u>16,666,282</u>
Share of results of associates	(32,234)	-	(32,234)
Depreciation	(456,939)	-	(456,939)
<b>31 December 2019</b>			
Revenue	2,268,520	209,144	2,477,664
Segment profit	185,815	134,114	319,929
Foreign exchange			(9,335)
Profit for the year			<u>310,594</u>
Total assets	11,634,624	8,366,139	20,000,763
Total liabilities	2,397,772	127,346	2,525,118
Net assets	<u>9,236,852</u>	<u>8,238,793</u>	<u>17,475,645</u>
Share of results of associate	(14,498)	-	(14,498)
Depreciation	(468,917)	-	(468,917)



**20 Annual general assembly**

The Annual General Assembly of shareholders held on 3 June 2020, approved the consolidated financial statements for the year ended 31 December 2019 and the directors' proposal not to distribute any dividends for the year then ended.

**21 Risk management objectives and policies**

The Group's activities expose it to variety of financial risks: market risk (including currency risk, price risk and profit rate risk), credit risk and liquidity risk.

The Parent Company's board of directors is ultimately responsible for the overall risk management and for approving risk strategies and principles. The Group's risk management focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance. Long term financial investments are managed to generate lasting returns.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The most significant financial risks to which the Group is exposed to are described below.

**21.1 Market risk**

**a) Foreign currency risk**

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

The Group mainly operates in Kuwait, the Middle East and North Africa countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Syrian Pound, Saudi Riyal and Morocco Dirham.

The Group's financial position can be affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

The Group had the following the exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate:

	2020	2019
	KD	KD
US Dollar	39,375	38,124
Syrian Pound	336	967
Saudi Riyal	257	254
Morocco Dirham	7,147	6,622

The foreign currency sensitivity is determined based on US Dollar 3% (2019: 3%), Syrian Pound 50% (2019: 50%), Saudi Riyal 5% (2019: 5%) and Morocco Dirham 5% (2019: 5%) increase or decrease in exchange rates. There has been no change during the year in the methods and assumptions used in the preparation of the sensitivity analysis.

If the Kuwaiti Dinar had strengthened/(weakened) against the foreign currencies assuming the above sensitivity, then this would have the following impact on the loss (2019: profit) for the year and equity:

	Loss/ profit for the year	
	2020	2019
	KD	KD
US Dollar	±1,181	±1,144
Syrian Pound	±168	±484
Saudi Riyal	±13	±13
Morocco Dirham	±357	±331

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to the foreign currency risk.

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**21 Risk management objectives and policies (continued)**

**21.1 Market risk (continued)**

**b) Price risk**

The Group is exposed to price risk with respect to its investments. Investments are classified either as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

To manage its price risk arising from investments in equity and debt securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The sensitivity analyses below have been determined based on the exposure to price risks at the reporting date.

If prices had been 5% higher/lower, the effect on the loss/profit and equity would have been as follows:

	Loss/profit for the year		Equity	
	2020 KD	2019 KD	2020 KD	2019 KD
Financial assets at fair value through profit or loss	149	149	-	-
Financial assets at fair value through other comprehensive income	-	-	27,234	40,053

**c) Profit rate risk**

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is exposed to profit rate risk with respect to borrowings.

The following table illustrates the sensitivity of the loss/profit for the year and equity to a reasonable possible change in profit rates of +1% and -1% (2019: +1% and -1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition.

The calculations are based on the Group's financial instruments held at each financial position date. All other variables are held constant. There is no impact on the Group's equity:

	2020		2019	
	+1% KD	-1% KD	+1% KD	-1% KD
Loss/profit for the year	14,255	(14,255)	(29,435)	29,435

There has been no change during the year in the methods and assumption used in preparing the sensitivity analysis

**21.2 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities. It also obtains security when appropriate.

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

	2020 KD	2019 KD
Accounts receivable and other assets	1,386,593	260,420
Saving accounts	8,526	6,049
Bank accounts	782,914	865,490
Portfolio accounts	7,487	11,880
	<u>2,185,520</u>	<u>1,143,839</u>

Bank balances and saving accounts are maintained with high credit quality financial institutions. Accounts receivable and other assets are neither past due nor impaired.

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
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**21 Risk management objectives and policies (continued)**

**21.3 Liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis. The table below summarises the maturity profile of the Group's financial liabilities. The maturities of financial liabilities have been determined on the basis of the remaining period from the financial position date to the contractual maturity date and the estimated amount required for full settlement of the liabilities.

Maturity profile of liabilities:

At 31 December 2020	Up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 year KD	Total KD
<b>Liabilities</b>					
Lease liabilities	-	-	46,100	514,782	560,882
Borrowings	78,938	195,653	419,247	593,079	1,286,917
Accounts payable and other liabilities	-	891,393	158,232	-	1,049,625
	<u>78,938</u>	<u>1,087,046</u>	<u>623,579</u>	<u>1,107,861</u>	<u>2,897,424</u>

Maturity profile of liabilities:

At 31 December 2019	Up to 1 month KD	1-3 Months KD	3-12 months KD	Over 1 year KD	Total KD
<b>Liabilities</b>					
Lease liabilities	-	-	46,100	549,358	595,458
Borrowings	72,897	79,880	445,693	966,653	1,565,123
Accounts payable and other liabilities	-	384,022	218,501	-	602,523
	<u>72,897</u>	<u>463,902</u>	<u>710,294</u>	<u>1,516,011</u>	<u>2,763,104</u>

**22 Fair value measurement**

**22.1 Fair value hierarchy**

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

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

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**22 Fair value measurement (continued)**

**22.2 Fair value measurement of financial instruments**

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

	2020 KD	2019 KD
<b>Financial assets:</b>		
<b>Amortised cost:</b>		
Cash and cash equivalents	800,309	888,828
Accounts receivable and other assets	1,386,593	260,420
<b>Fair value through profit or loss:</b>		
Financial assets at fair value through profit or loss	2,988	2,988
<b>Fair value through other comprehensive income:</b>		
Financial assets at fair value through other comprehensive income	544,672	801,060
	<u>2,734,562</u>	<u>1,953,296</u>
<b>Financial liabilities:</b>		
<b>Financial liabilities at amortised cost:</b>		
Accounts payable and other liabilities	1,049,625	602,523
Borrowings	1,215,643	1,425,500
Lease liabilities	408,129	418,754
	<u>2,673,397</u>	<u>2,446,777</u>

Management considers that the carrying amounts of the financial assets and all financial liabilities, which are stated at amortised cost, approximate their fair values.

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

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

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2020</b>				
<b>Financial asset at fair value through profit or loss</b>				
Local managed funds (b)	-	2,988	-	2,988
<b>Equity investments at FVOCI</b>				
Unquoted securities (c)	-	-	544,672	544,672
	<u>-</u>	<u>2,988</u>	<u>544,672</u>	<u>547,660</u>
<b>31 December 2019</b>				
<b>Financial asset at fair value through profit or loss</b>				
Local managed funds (b)	-	2,988	-	2,988
<b>Equity investments at FVOCI</b>				
Unquoted securities (c)	-	-	801,060	801,060
	<u>-</u>	<u>2,988</u>	<u>801,060</u>	<u>804,048</u>

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

**Measurement at fair value**

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

**a) Quoted securities**

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

**Gulf North Africa Holding Company–KPSC and Subsidiaries**  
**Notes to the Consolidated Financial Statements – for the year ended 31 December 2020**

**22 Fair value measurement (continued)**

**22.2 Fair value measurement of financial instruments (continued)**

**b) Local managed funds**

The underlying investments in local managed funds primarily comprise of local quoted securities whose fair values has been determined by reference to their quoted bid prices at the reporting date.

**c) Unquoted securities**

Unlisted securities are measured at fair value estimated using various models like market and cost approach, which includes some assumptions that are not supportable by observable market prices or rates.

**d) Financial liabilities**

The Group does not have any financial liabilities at fair value.

**Level 3 fair value measurements**

The Group's financial assets classified in Level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	2020 KD	2019 KD
Opening balances	801,060	1,715,267
Related to subsidiary acquired	338,993	-
Disposal during the year	(49,638)	(818,504)
Gains or losses recognised in:		
- Other comprehensive loss	(545,743)	(95,703)
<b>Closing balance</b>	<b>544,672</b>	<b>801,060</b>

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The valuation techniques used for instruments categorised in Levels 2 and 3 are described below:

**Financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income:**

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the underlying unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the statement of financial position date.

The investment managers in determining the fair value of these investments use a variety of methods and make assumptions that are based on market conditions existing at each financial position date. Investment managers use techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognized in the consolidated statement of profit or loss, total assets, total liabilities or total equity.

The impact on consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

**22.3 Fair value measurement of non-financial assets**

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2020 and 31 December 2019:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2020</b>				
Investment properties				
Properties outside Kuwait	-	-	7,311,396	7,311,396
<b>31 December 2019</b>				
Investment properties				
Properties outside Kuwait	-	-	7,222,191	7,222,191

**22 Fair value measurement (continued)**

**22.3 Fair value measurement of non-financial assets (continued)**

Fair value of the Group's main property assets is estimated based on appraisals performed by independent, qualified property valuers. The significant inputs and assumptions are developed in close consultation with management. Further information is set out below.

**Properties outside Kuwait**

Properties outside Kuwait represent land located in Morocco and Syria (2019: Morocco and Syria). The fair value has been determined based on the fair value provided by an independent valuer who has valued the investment properties using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances and current use.

Further information regarding the fair value measurements is set out in the table below:

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Properties outside Kuwait – Syria	Market comparison approach	Estimated market price for land (per sqm)	USD : 13.92 (2019 : USD 12.95)	The higher the price per square meter, the higher the fair value
Properties outside Kuwait – Morocco	Market comparison approach	Estimated market price for land (per sqm)	USD : 78.63 (2019 : USD 93.73)	The higher the price per square meter, the higher the fair value

The assets within this level can be reconciled from beginning to ending balances as follows:

	Investment Properties	
	2020 KD	2019 KD
Opening balance	7,222,191	5,564,307
Transfer from properties under development	-	2,806,428
Additions	-	17,875
Disposals	(52,221)	(1,374,190)
Gains or losses recognised in consolidated statement of profit or loss :		
Change in fair value of investment property	(2,056)	207,771
Foreign currency translation difference	143,482	-
<b>Closing balance</b>	<b>7,311,396</b>	<b>7,222,191</b>

**23 Capital management objectives**

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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

**24 Significant accounting judgements and estimates**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from those estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Judgments and estimates that are significant to the consolidated financial statements are:

**Classification of financial assets**

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding. Refer note 2.4.9 classification of financial assets for more information.

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer note 2.4.10 impairment of financial assets for more information.

**Impairment of non-financial assets**

The Group reviews the carrying amounts of its tangible assets and properties to determine whether there is any indication that those assets have suffered an impairment loss in accordance with accounting policies stated in note 2.4.14, the recoverable amount of an asset is determined based on higher of fair value and value in use.

**Classification of real estate**

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property. The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

**Control assessment**

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

**Impairment of associates**

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each reporting date based on existence of 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 amount in the consolidated statement of profit or loss.

**Useful lives of depreciable assets**

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

**Fair value measurement**

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumption consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 22).

**25 Impact of Covid-19**

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact to manage the potential disruption of the Covid-19 outbreak. The Group's main revenue generating activity is providing education services. In response to the current situation the Group has used online learning (or e-learning) facilities to reach learners remotely and limit the disruption of education services. The Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. Below are the key assumptions about the future and other key source of estimation that may have a significant risk of causing material adjustment to the consolidated financial statements:

**Impairment of non-financial assets including fair valuation of investment properties**

The Group has considered any impairment indicators arising due to the above situation and any significant uncertainties around its property, plant and equipment, intangible assets, other non-financial assets and fair valuation of investment properties arising due to disruption to business and concluded that the negative impact due to Covid-19 is KD 281,896.

**Impairment of financial assets**

The Group has assessed its financial assets for any indicators of impairment and concluded the negative impact on account of Covid-19 is KD 519,756 mainly consists of decrease in fair value of FVOCI investments.

**Commitments and contingent liabilities**

The Group has assessed the impact of any operational disruptions with a view of potential increase in contingent liabilities and commitments and no major impact was identified.

**Going concern**

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The Group has concluded that it has enough resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements have been prepared on a going concern basis.

**26 Comparative figures**

Certain comparative information have been reclassified to conform to the current period's presentation. Such reclassification did not affect previously reported profit or loss, equity or opening balances of the earliest comparative period presented.