

**First Qatar Real Estate Development
Company K.S.C. (Closed) and its Subsidiaries**
CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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 consolidated financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)

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

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

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

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

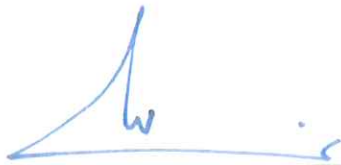
- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF FIRST QATAR REAL ESTATE DEVELOPMENT COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

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



BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

18 May 2021
Kuwait

First Qatar Real Estate Development Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
INCOME			
Operating revenue	4	4,667,443	-
Operating cost	5	(3,312,152)	-
OPERATING PROFIT		1,355,291	-
Net maintenance service income		11,117	-
Rental income		115,310	-
Write-down of inventory properties		(1,076,913)	-
Change in fair value of investment properties	10	(1,309,969)	42,707
Gain on sale of financial assets at fair value through profit or loss		1,474	19,190
Unrealised (loss) gain on financial assets at fair value through profit or loss		(33,881)	121,044
Dividend income		716	11,432
Net foreign exchange differences		(687)	(3,820)
Other income		6,064	45,918
		(931,478)	236,471
EXPENSES			
Hotel management fee		(223,671)	-
Administrative expenses	6	(3,052,504)	(508,597)
Pre-operating expenses		(324,528)	(786,848)
(Provision for) reversal of expected credit losses	13	(190,384)	435,040
Finance costs		(5,059,015)	-
Finance costs on lease liabilities	9	(72,139)	(8,923)
		(8,922,241)	(869,328)
LOSS BEFORE TAX		(9,853,719)	(632,857)
Zakat		-	-
Contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS")		-	-
LOSS FOR THE YEAR		(9,853,719)	(632,857)
BASIC AND DILUTED LOSS PER SHARE	7	(19.71) fils	(1.27) fils


The attached notes 1 to 24 form part of these consolidated financial statements.

First Qatar Real Estate Development Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020 KD	2019 KD
Loss for the year	<u>(9,853,719)</u>	<u>(632,857)</u>
Other comprehensive income (loss):		
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>		
Net loss on equity instruments designated at fair value through other comprehensive income	<u>(81,310)</u>	<u>(67)</u>
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange difference on translation of foreign operations	<u>93,509</u>	<u>(49,816)</u>
Other comprehensive income (loss) for the year	<u>12,199</u>	<u>(49,883)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u><u>(9,841,520)</u></u>	<u><u>(682,740)</u></u>

First Qatar Real Estate Development Company K.S.C. (Closed) and its Subsidiaries
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	2020 KD	2019 KD
ASSETS			
Non-current assets			
Property and equipment	8	100,511,700	25,349
Right-of-use assets	9	1,058,369	1,255,776
Properties under development		-	108,176,544
Investment properties	10	17,938,932	13,093,797
Financial assets at fair value through other comprehensive income	11	1,599,909	1,884,684
		121,108,910	124,436,150
Current assets			
Inventory properties		21,005,471	22,061,251
Inventories		65,040	-
Financial assets at fair value through profit or loss	12	839,634	890,168
Accounts receivable and prepayments	13	1,694,464	1,466,379
Cash and cash equivalents	14	983,172	1,421,034
		24,587,781	25,838,832
TOTAL ASSETS		145,696,691	150,274,982
EQUITY AND LIABILITIES			
Equity			
Share capital	15	50,000,000	50,000,000
Statutory reserve	16	1,028,287	1,028,287
Voluntary reserve	16	725,625	725,625
Foreign currency translation reserve	16	(795,722)	(889,231)
Cumulative changes in fair value		(431,713)	(350,403)
(Accumulated losses) retained earnings		(4,889,708)	4,964,011
TOTAL EQUITY		45,636,769	55,478,289
Non-current liabilities			
Employees' end of service benefits		310,171	262,005
Term loans	17	87,246,032	79,180,116
Retention payable		5,784,021	5,849,816
Lease liabilities	9	691,544	864,462
		94,031,768	86,156,399
Current liabilities			
Term loans	17	1,261,822	4,309,670
Accounts payable and accruals	18	4,425,208	4,060,220
Lease liabilities	9	341,124	270,404
		6,028,154	8,640,294
TOTAL LIABILITIES		100,059,922	94,796,693
TOTAL EQUITY AND LIABILITIES		145,696,691	150,274,982


Fahad Khalid Al-Ghunaim
Chairman

The attached notes 1 to 24 form part of these consolidated financial statements.

First Qatar Real Estate Development Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital KD	Statutory reserve KD	Voluntary reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings (accumulated losses) KD	Total KD
At 1 January 2020	50,000,000	1,028,287	725,625	(889,231)	(350,403)	4,964,011	55,478,289
Loss for the year	-	-	-	-	-	(9,853,719)	(9,853,719)
Other comprehensive income for the year	-	-	-	93,509	(81,310)	-	12,199
Total comprehensive income for the year	-	-	-	93,509	(81,310)	(9,853,719)	(9,841,520)
As at 31 December 2020	50,000,000	1,028,287	725,625	(795,722)	(431,713)	(4,889,708)	45,636,769
At 1 January 2019	50,000,000	1,028,287	725,625	(839,415)	(350,336)	5,596,868	56,161,029
Loss for the year	-	-	-	-	-	(632,857)	(632,857)
Other comprehensive loss for the year	-	-	-	(49,816)	(67)	-	(49,883)
Total comprehensive loss for the year	-	-	-	(49,816)	(67)	(632,857)	(682,740)
As at 31 December 2019	50,000,000	1,028,287	725,625	(889,231)	(350,403)	4,964,011	55,478,289

The attached notes 1 to 24 form part of these consolidated financial statements.

First Qatar Real Estate Development Company K.S.C. (Closed) and its Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 KD	2019 KD
OPERATING ACTIVITIES			
Loss for the year		(9,853,719)	(632,857)
<i>Adjustments to reconcile loss for the year to net cash flows:</i>			
Depreciation of property and equipment and right of use of assets		2,290,896	105,556
Provision for employees' end of service benefits		61,730	44,350
Finance costs		5,131,154	8,923
Change in fair value of investment properties	10	1,309,969	(42,707)
Write down of inventory properties		1,076,913	-
Gain on sale of financial assets at fair value through profit or loss		(1,474)	(19,190)
Unrealised (gain) loss on financial assets at fair value through profit or loss		33,881	(121,044)
Provision for expected credit losses		190,384	-
Dividend income		(716)	(11,432)
		<u>239,018</u>	<u>(668,401)</u>
<i>Working capital adjustments:</i>			
Inventories		(65,040)	-
Accounts receivable and prepayments		(396,699)	3,901,366
Accounts payable and accruals		364,988	(3,057,366)
Retention payable		(65,795)	(219,510)
		<u>76,472</u>	<u>(43,911)</u>
Cash flows from (used in) operations		(13,564)	(4,610)
Employees' end of service benefits paid			
Net cash flows from (used in) operating activities		<u>62,908</u>	<u>(48,521)</u>
INVESTING ACTIVITIES			
Purchase of items of property and equipment		(70,716)	(3,781)
Capital expenditure on investment properties	10	(81,369)	(812,780)
Capital expenditure on properties under development		(214,184)	(22,612,729)
Disposal of financial assets at fair value through other comprehensive income		203,465	-
Purchase of financial assets at fair value through profit or loss		(64,206)	-
Proceeds from sale of financial assets at fair value through profit or loss		82,333	1,029,100
Dividend income received		716	11,432
		<u>(143,961)</u>	<u>(22,388,758)</u>
Net cash flows used in investing activities			
FINANCING ACTIVITIES			
Net proceeds from term loans		-	21,039,161
Payment of lease liabilities		(326,185)	(260,086)
		<u>(326,185)</u>	<u>20,779,075</u>
Net cash flows (used in) from financing activities			
Effect of foreign currency difference		(30,624)	(615)
		<u>(437,862)</u>	<u>(1,658,819)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>1,421,034</u>	<u>3,079,853</u>
Cash and cash equivalents at 1 January			
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	<u>983,172</u>	<u>1,421,034</u>
Non-cash transactions excluded from consolidated statement of cash flows			
Transitional adjustment to lease liabilities on adoption of IFRS 16		-	183,310
Transitional adjustment to right-to-use of assets on adoption of IFRS 16		-	(183,310)
Additions to lease liabilities		160,704	1,198,040
Additions to right-to-use of assets		(160,704)	(1,198,040)
Transfer from investment properties to inventory property		-	22,061,250
Transfer from properties under development to property and equipment		102,326,919	-
Transfer from properties under development to investment properties		6,063,809	-

The attached notes 1 to 24 form part of these consolidated financial statements.

First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

1 CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of First Qatar Real Estate Development Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 8 April 2021. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly (AGM).

The Parent Company is a closed shareholding Company registered and incorporated in Kuwait on 11 May 2004. The Parent Company's registered office is located in Kuwait City, Abu Baker Al Sideeq street., Gulf Tower, 18th Floor, Al Qibla, Block 14.

The Parent Company's primary objectives include the acquisition of shares and stocks in other companies, lend money to the companies in which it holds stocks, acquisition and lease of patent rights, trade and industrial marks, ownership of real estate properties within the limits permitted by law and investment of surplus funds in securities and properties managed by specialized entities. All activities are carried out in accordance with the Articles of Association and the Memorandum of Incorporation of the Parent Company.

Information of the Group structure is provided in Note 1.2. Information on other related party relationships of the Group is provided in Note 19.

1.2 GROUP INFORMATION

The consolidated financial statements comprise the consolidated financial statements of the Parent Company and its subsidiaries as at 31 December 2020.

The consolidated financial statements of the Group include:

Name	Country of incorporation	% equity interest		Principal activities
		2020	2019	
Directly held subsidiary				
First Oman Real Estate Development and Tourism Company W.L.L (“First Oman”)	Oman	99%	99%	Real estate Building maintenance Five Star hotel
First Pearl Maintenance	Qatar	100%	100%	
First Hotel W.L.L.	Qatar	100%	100%	
Indirectly held subsidiaries				
Held through First Oman				
First Kuwait Real Estate Investment Company L.L.C	Oman	99%	99%	Real estate
Kuwait Modern Investment Enterprise Company L.L.C	Oman	99%	99%	Real estate
Modern Safat for Real Estate Development Company L.L.C	Oman	99%	99%	Real estate

The Group's effective interest in these indirectly held subsidiaries are 100%. The Group directly hold the shares in the respective subsidiaries as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiaries.

First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Basis of preparation

The consolidated financial statements are prepared on a historical cost basis, except for investment properties, financial assets at other comprehensive income and financial assets at fair value through profit or loss that have been measured at fair value.

The consolidated financial statements are presented in Kuwaiti Dinars (KD), while the functional currency of the Parent Company is Qatari Riyals (QAR).

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

Certain comparative amounts for the previous year within the consolidated financial statements have been reclassified to conform to the presentation for the current year. This reclassification has not resulted in any change in profit or equity for the year ended 31 December 2019.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

Subsidiaries are those enterprises controlled by the Parent Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▮ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ▮ Exposure, or rights, to variable returns from its involvement with the investee; and
- ▮ The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▮ The contractual arrangement with the other vote holders of the investee
- ▮ Rights arising from other contractual arrangements
- ▮ The Group's voting rights and potential voting rights

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

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

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

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

First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

Revenue

Revenue represents the revenue from hotel rooms, food and beverage, limousine and valet parking and other operating departments. Revenue is recognised at point in-time when the control of goods or services is transferred or provided to the customers.

Sale of inventory properties

Revenue from sale of property is recognised at the point in time when control of the asset is transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised at the point in time only when all the significant conditions are satisfied.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Dividend income

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

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 years
Furniture and office equipment	4 to 5 years
Computers	4 years
Vehicles	5 years

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

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

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

Properties under development

Properties under development for the future use as property and equipment are stated at cost less any impairment in value. The carrying value of these properties is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise. The fair value of investment properties is determined by independent real estate valuation experts using recognised valuation techniques.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Term deposit

Term deposit represents deposit with a bank and having an original maturity period between three to twelve months from the date of origination and earns an interest.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and then its recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

First Qatar Real Estate Development Company K.S.C. (Closed) and its subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2020

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory properties

Properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory and is measured at the lower of cost and net realisable value.

Cost includes:

- ┆ Freehold and leasehold rights for land;
- ┆ Amounts paid to contractors for construction;
- ┆ Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated costs of sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The cost of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Financial instruments – initial recognition, subsequent measurement and derecognition

a) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- ┆ it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ┆ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

b) Classification and subsequent measurement (continued)

All financial assets not classified at amortised cost or FVOCI as described above are measured at FVTPL.

The Group's financial assets includes financial assets at FVOCI and FVTPL which are measured at fair value and accounts receivable and other assets and cash and cash equivalents which are measured at amortised cost.

Financial assets – Subsequent measurement and gains and losses:

▶ Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
▶ Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
▶ Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
▶ Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities

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

The Group's financial liabilities include accounts payable and accruals, retention payables, lease liabilities and term loans.

Subsequent measurement

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

Accounts payable and accruals

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

Term loans

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition, subsequent measurement and derecognition (continued)

c) Derecognition

Financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

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

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

d) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

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

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

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Fair value of financial instruments

The Group measures financial instruments, such as financial assets at fair value through profit or loss and non-financial assets such as investment properties at each reporting date.

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

Employees' end of service benefits

The Group provides end of service benefits to all 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. The expected costs of these benefits are accrued over the period of employment.

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

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.

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Foreign currencies

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

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

Group companies

The assets and liabilities of foreign operations are translated into Kuwaiti Dinars at the rate of exchange prevailing at the reporting date and their statement of incomes are translated at average exchange rates during the period where such averages are reasonable approximation of actual rates. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Pre-operating expenses

Pre-operating expenses relates to staff costs, administrative expenses and marketing expenses incurred during the soft opening phase of the hotel and are expensed as incurred.

Contingencies

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

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

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

i) Group as a lessee

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

Right-of-use assets

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

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 borrowing rate at the lease commencement date if the borrowing 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 finance cost 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KD 1,500). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

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

The Group has the option, under some of its leases to lease the assets for additional periods. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

ii) Group as a lessor

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

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2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Reference to the Conceptual Framework – Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on its current accounting policies and whether the Group may wish to re-assess covenants in its existing loan agreements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

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

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

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR. IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a RFR.

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are allowed as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and/or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The reliefs allow that changes to the method for assessing hedge effectiveness due to modifications required by IBOR reform, will not result in the discontinuation of hedge accounting.

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.4.1 New and amended standards and interpretations

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

Amendments to IFRS 3: Definition of a Business

In October 2019, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2019, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.4.1 New and amended standards and interpretations (continued)

Adoption of profit rate benchmark reform (IBOR reform Phase 1)

The Group has adopted profit rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform Phase 1) with effect from 1 January 2020. IBOR reform Phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by profit rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. IBOR reform Phase 1 provides reliefs which require the Group to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform. This includes assuming that hedged cash flows are not altered as a result of IBOR reform. Also, the reliefs allow the Group to not discontinue hedging relationships as a result of retrospective or prospective ineffectiveness. These amendments did not have a material impact on the consolidated financial statements of the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

Amendments to IFRS 16 COVID-19 Related Rent Concessions

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no material impact on the consolidated financial statements of the Group.

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3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Significant judgments

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

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 interest on the principal amount outstanding.

Classification of properties

The Group determines whether a property is classified as investment property or inventory property.

Investment property comprises properties which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.

Inventory comprises property that is held for sale in the ordinary course of business. Principally, this is residential property that the Group develops and intends to sell on completion of construction.

Determination of functional currency

Functional currency in the consolidated financial statements is determined at the level of each entity within the Group. Identifying the functional currency has a direct impact on which transactions are foreign exchange transactions that give rise to exchange gains and losses and, thereby, on the reported results.

The Parent Company's functional currency is the currency of the primary economic environment in which it operates. When indicators of the primary economic environment are mixed, management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The management determined that the functional currency of the Parent Company is Qatari Riyal (QAR) since the majority of the Parent Company's transactions are denominated in QAR.

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group included the renewal period as part of the lease term due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operations if a replacement is not readily available.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined.

Estimation of net realisable value for inventory properties

Inventory properties are stated at the lower of cost and net realisable value (NRV). NRV for completed inventory property is assessed with reference to market conditions and prices existing at the reporting date and is determined by the Group having taken suitable external advice and also in the light of recent market transactions.

Valuation of unquoted investments

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions 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.

Useful lives of property and equipment

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

Impairment of property and equipment

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

Factors that are considered important which could trigger an impairment review include the following:

- ▶ Significant decline in the market value beyond that which would be expected from the passage of time or normal use;
- ▶ Significant changes in the technology and regulatory environments
- ▶ Evidence from internal reporting which indicates that the economic performance of the asset is, or will be, worse than expected.

Impairment of properties under development

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

Impairment of financial assets at amortised cost

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

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3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Leases - Estimating the incremental borrowing rate

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

4 OPERATING REVENUE

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Type of revenue		
Room revenue	3,237,886	-
Food and beverage	1,350,486	-
Other hotel revenues	79,071	-
	<u>4,667,443</u>	<u>-</u>
Timing of revenue recognition:		
Goods and services transferred at a point in time	<u>4,667,443</u>	<u>-</u>
Geographical markets		
Qatar	<u>4,667,443</u>	<u>-</u>

5 OPERATING COSTS

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Operating costs		
Room	524,455	-
Food and beverage	898,601	-
Other services	69,857	-
Depreciation on property and equipment (Note 8)	1,819,239	-
	<u>3,312,152</u>	<u>-</u>

Given below are the details of the operating costs:

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Salaries and other employee benefits	645,647	-
Materials *	376,059	-
Recruitment, training and housing	152,450	-
Supplies	140,198	-
Commissions	68,773	-
Property maintenance	38,998	-
Security and cleaning	39,741	-
Guest entertainment	28,884	-
Depreciation on property and equipment (Note 8)	1,819,239	-
Other expenses	2,163	-
	<u>3,312,152</u>	<u>-</u>

* Represents cost of inventories consumed during the year

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6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Salaries and other employee benefits	964,494	275,468
Utilities	301,807	-
Shared community service fees	224,315	-
Property expenses	194,167	-
Recruitment, training and housing	185,880	-
Marketing and advertisement	147,877	24,928
IT and related expenses	136,578	14,991
Other services	93,349	-
Professional fees	52,783	59,558
Security and cleaning	48,584	-
Bank charges and credit card commissions	31,329	1,500
Supplies	12,566	-
Guest entertainment	10,877	-
Depreciation on property and equipment (Note 8)	101,228	23,662
Depreciation on right-of-use assets (Note 9)	370,429	81,894
Other expenses	176,241	26,596
	<u>3,052,504</u>	<u>508,597</u>

7 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing the loss for the year by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. As at 31 December, the Group did not have any dilutive shares.

The information necessary to calculate basic loss per share based on the weighted average number of shares outstanding, during the year is as follows:

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Loss for the year	(9,853,719)	(632,857)
Weighted average number of ordinary shares outstanding during the year	500,000,000	500,000,000
Basic and diluted loss per share	<u>(19.71) fils</u>	<u>(1.27) fils</u>

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8 PROPERTY AND EQUIPMENT

	Land* KD	Leasehold improvements KD	Building* KD	Furniture, fixtures and fittings KD	Motor vehicles KD	Computers KD	Work in progress KD	Total KD
Cost:								
At 1 January 2019	-	218,442	-	137,782	39,619	359,278	-	755,121
Additions	-	-	-	1,156	-	2,625	-	3,781
At 31 December 2019	-	218,442	-	138,938	39,619	361,903	-	758,902
Additions	-	-	-	40,152	4,227	986	25,351	70,716
Foreign exchange differences	-	-	6,300	2,883	-	-	-	9,183
Transfer from properties under development **	12,699,992	-	82,263,547	7,228,899	-	134,481	-	102,326,919
At 31 December 2020	12,699,992	218,442	82,269,847	7,410,872	43,846	497,370	25,351	103,165,720
Depreciation:								
At 1 January 2019	-	200,290	-	132,664	31,435	345,502	-	709,891
Charge for the year	-	6,247	-	2,611	6,880	7,924	-	23,662
At 31 December 2019	-	206,537	-	135,275	38,315	353,426	-	733,553
Charge for the year	-	6,247	1,300,539	587,860	688	25,133	-	1,920,467
At 31 December 2020	-	212,784	1,300,539	723,135	39,003	378,559	-	2,654,020
Net book value:								
At 31 December 2020	12,699,992	5,658	80,969,308	6,687,737	4,843	118,811	25,351	100,511,700
At 31 December 2019	-	11,905	-	3,663	1,304	8,477	-	25,349

* Land and building have been pledged as security against term loans payable to a Qatari financial institution (Note 17).

** During the year, properties under development with a carrying value of KD 102,326,919 have been transferred to property and equipment, upon completion.

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8 PROPERTY AND EQUIPMENT (continued)

The depreciation charge for property and equipment has been allocated in the consolidated statement of profit or loss as follows:

	2020 KD	2019 KD
Operating costs (Note 5)	1,819,239	-
General and administrative expenses (Note 6)	101,228	23,662
As at 31 December	1,920,467	23,662

9 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As a lessee, the Group leases properties consisting of offices, staff accommodations and motor vehicles. The Group generally enter into lease agreements for periods varying between 1 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2020 KD	2019 KD
As at 1 January	1,255,776	183,310
Additions	160,704	1,158,232
Depreciation	(370,429)	(81,894)
Foreign exchange differences	12,318	(3,872)
As at 31 December	1,058,369	1,255,776

Depreciation on right-of-use assets have been included within administrative expenses. (Note 6)

Set out below are the carrying amounts of lease liabilities recognised and the movements during the year:

	2020 KD	2019 KD
As at 1 January	1,134,866	183,310
Additions	160,704	1,158,232
Accretion of interest	72,139	8,923
Payments	(326,185)	(215,637)
Rent waived off	(8,856)	-
Foreign exchange differences	-	38
As at 31 December	1,032,668	1,134,866
Non-current	691,544	864,462
Current	341,124	270,404
As at 31 December	1,032,668	1,134,866

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 6%.

The maturity analysis of lease liabilities is disclosed in Note 21.

The following are the amounts recognised in consolidated statement of profit or loss.

	2020 KD	2019 KD
Depreciation expense of right-of-use assets (Note 6)	370,429	81,894
Interest expense on lease liabilities	72,139	8,923
Total amount recognised in consolidated statement of profit or loss	442,568	90,817

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10 INVESTMENT PROPERTIES

	2020 KD	2019 KD
Balance at 1 January	13,093,797	34,318,299
Additions *	81,369	812,780
Transfers from properties under development	6,063,809	-
Transfer to inventory properties	-	(22,061,251)
Changes in fair values	(1,309,969)	42,707
Foreign exchange differences	9,926	(18,738)
Balance at 31 December	<u>17,938,932</u>	<u>13,093,797</u>

*No borrowing costs were capitalised during the year (2019: KD 518,051).

The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13.

The fair value was determined using the market comparison approach considering the nature and usage of each property. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed decrease of KD 1,309,969 compared to its carrying values as at 31 December 2020 (2019: increase of KD 42,707).

Investment properties with a carrying value of KD 10,495,644 (2019: KD 4,596,844) are pledged as a security against term loans payable to a foreign financial institution (Note 17).

Investment properties located in Oman with a carrying value of KD 7,443,288 (2019: KD 8,496,954) are registered under Special Purpose Entities (SPE). These SPEs are beneficially owned by the Parent Company.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 KD	2019 KD
Unquoted equity securities	<u>1,599,909</u>	<u>1,884,684</u>

Investment portfolio with a carrying value of KD 1,574,725 (2019: KD 1,800,000) is managed by a related party (Note 19).

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 KD	2019 KD
Quoted equity securities	15,398	33,838
Unquoted funds	<u>824,236</u>	<u>856,330</u>
	<u>839,634</u>	<u>890,168</u>

Investment portfolio with a carrying value of KD 834,716 (2019: KD 869,001) is managed by a related party (Note 19).

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13 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Trade receivables	4,348,474	3,397,096
Less: allowance for expected credit losses	<u>(3,562,445)</u>	<u>(3,372,061)</u>
	786,029	25,035
Amounts due from a related party (Note 19)	332,447	326,295
Deposits and prepayments	550,404	268,027
Other receivables	<u>25,584</u>	<u>847,022</u>
	<u>1,694,464</u>	<u>1,466,379</u>

Trade receivables are non-interest bearing and are generally on terms of 30-90 days.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 21.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

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

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
At 1 January	3,372,061	3,857,294
Charge for (reversal of) allowance for expected credit losses	190,384	(435,040)
Foreign exchange differences	-	(50,193)
	<u>3,562,445</u>	<u>3,372,061</u>
At 31 December	<u>3,562,445</u>	<u>3,372,061</u>

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to hold collaterals over receivables.

14 CASH AND CASH EQUIVALENTS

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Cash on hand and at banks	940,489	399,636
Cash held in managed portfolios (Note 19)	<u>1,135</u>	<u>1,049</u>
	941,624	400,685
Short-term deposits maturing within three months	<u>41,548</u>	<u>1,020,349</u>
Cash and cash equivalents	<u>983,172</u>	<u>1,421,034</u>

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Group with local and foreign financial institutions and carry an average effective interest rate of 1.1% (2019: 2.25%) per annum.

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15 SHARE CAPITAL

	2020 KD	2019 KD
<i>Authorised, issued and fully paid-up:</i>		
500 million (2019: 500 million) shares of 100 (2019: 100) fils each	<u>50,000,000</u>	<u>50,000,000</u>

16 RESERVES

a) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before KFAS, Zakat and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

During the year, there has been no transfer to statutory reserve as a result of accumulated losses incurred by the Parent Company as at 31 December 2020.

b) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before KFAS, Zakat and board of directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

During the year, there has been no transfer to voluntary reserve as a result of accumulated losses incurred by the Parent Company as at 31 December 2020.

c) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity and effect of change in functional currency are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to the consolidated statement of profit or loss when the investment is disposed of.

17 TERM LOANS

	2020 KD	2019 KD
Current	1,261,822	4,309,670
Non-current	<u>87,246,032</u>	<u>79,180,116</u>
	<u>88,507,854</u>	<u>83,489,786</u>

Term loans represent secured bank loans from a foreign financial institution relating to the development of Hilton Panorama Residences in The Pearl, Qatar (the "project"). Term loans have been denominated in Qatari Riyals.

Term loans are repayable over a period of 15 years in monthly instalments starting from 1 October 2021 and maturing on 1 February 2036, including a balloon payment of KD 22,782,424. The effective interest rate on this facility is Qatar Central Bank Money Rate Lending (QMRL) plus 0.50% with minimum of 5.25% (2019: Qatar Central Bank Money Rate Lending (QMRL) plus 0.50% with minimum of 5.75%) till the maturity period. The effective interest rate on the outstanding loan balance as at 31 December 2020 was 5.75% (2019: 5.75%) per annum.

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17 TERM LOANS (continued)

Term loans are secured over property and equipment, investment properties and inventory properties with a carrying value of KD 131,932,316 (2019: KD 134,834,637) (Note 8 and 10).

Information about the Group's exposure to interest rate, foreign currency rate and liquidity risks is included in Note 21.

Changes in liabilities arising from financing activities

	<i>1 January 2020 KD</i>	<i>Cash flows inflow/(outflow) KD</i>	<i>Finance costs</i>	<i>Foreign exchange movement KD</i>	<i>31 December 2020 KD</i>
Interest-bearing term loans	83,489,786	-	5,059,015	(40,947)	88,507,854
Total liabilities from financing Activities	<u>83,489,786</u>	<u>-</u>	<u>5,059,015</u>	<u>(40,947)</u>	<u>88,507,854</u>

	<i>1 January 2019 KD</i>	<i>Cash flows inflow/(outflow) KD</i>	<i>Finance costs</i>	<i>Foreign exchange movement KD</i>	<i>31 December 2019 KD</i>
Interest-bearing term loans	62,285,044	21,039,161	-	165,581	83,489,786
Total liabilities from financing Activities	<u>62,285,044</u>	<u>21,039,161</u>	<u>-</u>	<u>165,581</u>	<u>83,489,786</u>

18 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2020 KD</i>	<i>2019 KD</i>
Payable to contractors	3,143,364	3,733,042
Accrued expenses and other payables	<u>1,281,844</u>	<u>327,178</u>
	<u>4,425,208</u>	<u>4,060,220</u>

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19 RELATED PARTY DISCLOSURES

These represent transactions with related parties, i.e. shareholders, directors and senior management of the Parent Company, and companies of which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	<i>Major shareholders KD</i>	<i>2020 KD</i>	<i>2019 KD</i>
Cash and cash equivalents (Note 14)	1,136	1,136	467
Amounts due from a related party (Note 13)	332,447	332,447	326,295

Investment portfolio with a carrying value of KD 2,409,441 (2019: KD 2,669,001) is managed by a related party (Note 11 and 12).

Key management personnel compensation

Key management personnel comprise of the Board of Directors and key member of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions and outstanding balances relating to key management personnel were as follows:

	<i>Transaction value for the year ended 31 December</i>		<i>Balance outstanding as at 31 December</i>	
	<i>2020 KD</i>	<i>2019 KD</i>	<i>2020 KD</i>	<i>2019 KD</i>
Salaries and short-term employee benefits	335,553	254,538	27,714	31,093
End of services benefits	31,971	16,757	172,578	152,693
	<u>367,524</u>	<u>271,295</u>	<u>200,292</u>	<u>183,786</u>

The Board of Directors has not proposed any directors' remuneration for the year ended 31 December 2020 and 2019.

20 CONTINGENCIES

At 31 December 2020, the Group had contingent liabilities amounting to KD 7,063 (2019: Nil) in respect of bank guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The main risks arising from the Group's activities are credit risk, liquidity risk and market risk. Market risk is subdivided into interest risk, currency risk and equity price risk.

The Group's principal financial liabilities comprise of term loans, retention payable and accounts payable and accruals. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as accounts receivable and other assets, bank balances and cash, which are directly from its operations. The Group also has investments in financial assets at FVTPL and FVOCI. The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. No significant changes were made in the risk management objectives and policies during the years ended 31 December 2020 and 2019.

The management of the Parent Company is ultimately responsible for the overall risk management approach and for approving the risk strategy. The management reviews and agrees policies for managing each of these risks which are summarised below:

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21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets presented in the consolidated statement of financial position.

	2020 KD	2019 KD
Cash at bank and short-term deposits	964,999	1,408,410
Trade and other receivables*	1,068,934	1,064,235
Amounts due from a related party	332,447	326,295
Total credit risk exposure	<u>2,366,380</u>	<u>2,798,940</u>

*Excluding advances

Cash at bank and short-term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

Impairment on cash and short-term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and short-term deposits have low credit risk based on the external credit ratings of the counterparties.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments. Outstanding receivables are regularly monitored by management.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, trading history with the Group and existence of previous financial difficulties.

Expected credit loss assessment for trade receivables as at 31 December 2019 and 31 December 2020

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix as at 31 December 2019 and 31 December 2020:

		Days past due	
	Current KD	> 90 days KD	Total KD
31 December 2020			
Expected credit loss rate *	-	81.92%	81.92%
Total gross carrying amount at default	-	4,348,474	4,348,474
Expected credit loss	<u>-</u>	<u>3,562,445</u>	<u>3,562,445</u>

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21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Credit risk (continued)

Trade receivables (continued)

Expected credit loss assessment for trade receivables as at 31 December 2019 and 31 December 2020 (continued)

	<i>Days past due</i>		
	<i>Current</i>	<i>>90 days</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>31 December 2019</i>			
Expected credit loss rate *	-	99.26%	99.26%
Total gross carrying amount at default	-	3,397,096	3,397,096
Expected credit loss	-	3,372,061	3,372,061

*represents average expected credit loss rate.

As at 31 December 2020, unimpaired trade receivables amounting to KD 786,029 (2019: KD 25,035) fall within the 90-120 days ageing bracket.

Other receivables and amount due from a related party

As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

21.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To manage this risk, the Group maintains a level of cash and bank balances and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities.

The Group expects a significantly adverse impact on its liquidity due to COVID-19 outbreak. Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Group aims to maintain the level of its cash and bank balances at an amount in excess of expected cash outflows on financial liabilities.

The Group's terms of sales require amounts to be paid within 30-90 days of the date of sale. Trade payables are normally settled within 30-60 days of the date of purchase. The maturity profile is monitored by the Group's management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. The liquidity profile of financial liabilities reflects the projected cash flows which includes future interest payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December was as follows:

<i>At 31 December 2020</i>	<i>1 to 12 Months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Accounts payable and accruals	4,425,208	-	4,425,208
Retention payable	-	5,784,021	5,784,021
Term loans	1,328,068	107,061,692	108,389,760
Lease liabilities	341,124	1,075,600	1,416,724
	<u>6,094,400</u>	<u>113,921,313</u>	<u>120,015,713</u>
<i>At 31 December 2019</i>	<i>1 to 12 Months KD</i>	<i>1 to 5 years KD</i>	<i>Total KD</i>
Accounts payable and accruals	4,060,220	-	4,060,220
Retention payable	-	5,849,816	5,849,816
Term loans	4,557,476	99,023,355	103,580,831
Lease liabilities	270,404	1,193,193	1,463,597
	<u>8,888,100</u>	<u>106,066,364</u>	<u>114,954,464</u>

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21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate because of changes in market prices. Market prices comprise of interest rate risk, currency risk, and equity price risk.

21.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest bearing assets (short-term deposits) and interest bearing liabilities (term loans).

The Group manages its interest rate risk by having a balanced portfolio of interest bearing assets and liabilities.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's loss before tax:

	<i>Effect of 50 basis points (bps) increase</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Qatari Riyal	(442,539)	(413,097)
Kuwaiti Dinar	208	750

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment.

The Group analyses its interest rate exposure by taking into consideration refinancing, renewal of existing positions and alternative financing.

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on KD 41,548 (2019: KD 1,020,349) interest bearing assets and KD 88,507,854 (2019: KD 83,489,786) interest bearing liabilities. The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

21.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of the Group entities.

The Group manages its foreign currency risk by setting limits for foreign exchange exposure and monitoring the Group's open positions and current and expected exchange rate movements on an ongoing basis. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Group does not hedge foreign currency exposures.

Foreign currency sensitivity

The following tables demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit due to changes in the fair value of monetary assets and liabilities is as follows:

<i>Currency</i>	<i>Change in exchange rate</i>	<i>Effect on loss before tax (relates to monetary financial assets and liabilities)</i>	
		<i>2020</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>
QAR	±10%	9,519,155	9,050,277

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21 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3.3 Equity price risk

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

The Group's quoted investments are primarily listed on Boursa Kuwait. The effect on (loss) profit as a result of changes in fair value of equity instruments classified at fair value through profit or loss arising from a 5% decrease/increase in equity market index, with all other variables held constant is KD 524 (2019: KD 1,692).

The Group's investments in unquoted equities are of strategic nature and are intended to be held for long term. The value of these investments is not significantly sensitive to the volatility in the equity markets.

At the reporting date, the Group's exposure to unlisted equity securities and funds at fair value was KD 2,424,145 (2019: KD 2,741,014). Sensitivity analyses of these investments have been provided in Note 23.

22 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes within net debt, interest bearing loans less cash and short-term deposits. Capital includes total equity of the Group at the reporting date.

	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Term loans	88,507,854	83,489,786
Less: Cash and short-term deposits	(983,172)	(1,421,034)
Net debt	<u>87,524,682</u>	<u>82,068,752</u>
Capital	<u>45,636,769</u>	<u>55,478,289</u>
Capital and net debt	<u>133,161,451</u>	<u>137,547,041</u>
Gearing ratio	<u>65.73%</u>	<u>59.66%</u>

23 FAIR VALUE MEASUREMENT

All financial and non-financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

Financial instruments:

Financial instruments comprise financial assets and financial liabilities.

For financial instruments where there is no active market, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The Group's financial assets at fair value through profit or loss are measured in the consolidated statement of financial position at fair value with changes in fair value recognised in the consolidated statement of profit or loss.

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23 FAIR VALUE MEASUREMENT (continued)

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Unquoted funds

The Group invests in unquoted funds and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets.

The management considers the valuation techniques and inputs used in valuing these funds, to ensure they are reasonable and appropriate. Therefore, the NAV of these funds may be used as an input into measuring their fair value. In measuring their fair value, the NAV of the fund is adjusted, as necessary, to reflect specific factors of the investee fund. Based on the nature and level of adjustments needed to the NAV and the level of trading in the investee fund, the Group classifies these funds under Level 3.

Unquoted equity securities

The Group invests in equity of companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. This approach utilises price multiples of relevant sectors. The discounted multiple is applied to the corresponding relevant measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as level 3.

For other financial assets and financial liabilities carried at amortized cost, management assessed that the carrying value is not significantly different from their fair values largely due to the short-term maturities of these instruments.

Non-financial instruments:

Investment properties are fair valued and are classified under level 3.

Reconciliation for recurring fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy is disclosed in Note 10.

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

	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
<i>At 31 December 2020</i>				
Financial instruments:				
Financial assets at fair value through profit or loss	15,398	-	824,236	839,634
Financial assets at fair value through other comprehensive income	-	-	1,599,909	1,599,909
Non-financial instruments:				
Investment properties	-	-	17,938,932	17,938,932
	<u>15,398</u>	<u>-</u>	<u>20,363,077</u>	<u>20,378,475</u>

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23 FAIR VALUE MEASUREMENT (continued)

Non-financial instruments: (continued)

	<i>Fair value measurement using</i>			<i>Total KD</i>
	<i>Quoted prices in active markets (Level 1) KD</i>	<i>Significant observable inputs (Level 2) KD</i>	<i>Significant unobservable inputs (Level 3) KD</i>	
<i>At 31 December 2019</i>				
<i>Financial instruments:</i>				
Financial assets at fair value through profit or loss	33,838	-	856,330	890,168
Financial assets at fair value through other comprehensive income	-	-	1,884,684	1,884,684
<i>Non-financial instruments:</i>				
Investment properties	-	-	13,093,797	13,093,797
	<u>33,838</u>	<u>-</u>	<u>15,834,811</u>	<u>15,868,649</u>

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year ended 31 December 2020.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

	<i>Financial assets at FVOCI KD</i>	<i>Financial assets at FVTPL KD</i>	<i>Total KD</i>
2020			
As at 1 January 2020	1,884,684	856,330	2,741,014
Remeasurement recognised in OCI	(81,310)	-	(81,310)
Remeasurement recognised in profit or loss	-	(32,094)	(32,094)
(Purchases) / sales (net)	(203,465)	-	(203,465)
As at 31 December 2020	<u>1,599,909</u>	<u>824,236</u>	<u>2,424,145</u>
2019			
As at 1 January 2019	1,884,751	1,479,308	3,364,059
Remeasurement recognised in OCI	(67)	-	(67)
Remeasurement recognised in profit or loss	-	41,197	41,197
(Purchases) / sales (net)	-	(664,175)	(664,175)
As at 31 December 2020	<u>1,884,684</u>	<u>856,330</u>	<u>2,741,014</u>

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23 FAIR VALUE MEASUREMENT (continued)

Description of significant unobservable inputs

	<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Range (+/-)</i>	<i>Sensitivity of the input to fair value</i>
Financial assets at fair value through other comprehensive income	Market approach	Sector PE multiple	0.558	Increase (decrease) in the multiple by 10% would increase (decrease) the fair value by KD 157,383
- Unquoted equity securities		Discount for lack of marketability (DLOM)	10%	Increase (decrease) in the discount by 5% would decrease (increase) the fair value by KD 174,969

Description of valuation techniques used and key inputs to valuation of investment properties:

<i>Valuation technique</i>	<i>Fair value 2020 KD</i>	<i>Fair value 2019 KD</i>	<i>Key unobservable inputs</i>	<i>Range 2020 KD</i>	<i>Range 2019 KD</i>
Market comparison approach	17,938,932	13,093,797	Price (per sqm)	59-618	85-654

Sensitivity analysis

Significant increase (decrease) in price per sqm in isolation would result in a significantly higher (lower) fair value of the properties.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties.

	<i>Changes in valuation assumptions</i>	<i>Impact on loss for the year</i>	
		<i>2020 KD</i>	<i>2019 KD</i>
Price per sqm	+/- 5%	896,947	654,689

24 IMPACT OF COVID-19

The COVID-19 outbreak was first reported near the end of 2019. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the COVID-19 outbreak to be a pandemic.

The measures to slow the spread of COVID-19 have had a significant impact on the global economy. Governments worldwide imposed travel bans and strict quarantine measures. Businesses are dealing with lost revenue and disrupted supply chains. While the country has started to ease the lockdown, the relaxation has been gradual. The COVID-19 pandemic has also resulted in significant volatility in financial markets and as a result, the government has announced measures to provide financial assistance to the private sector.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health authorities, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home, reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature.

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24 IMPACT OF COVID-19 (continued)

As a result, the Group considered the impact of COVID-19 in preparing its consolidated financial statements. While the specific areas of judgement may not change, the impact of COVID-19 resulted in the application of further judgement within those areas.

Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to estimates may need to be made in the measurement of the Group's assets and liabilities may arise in the future.

Tenant and other receivables

The Group was required to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These were primarily related to adjusting the forward-looking estimates used by the Group in the estimation of ECL as the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of rentals or other payments). The Group will continue to assess impact of the pandemic as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

Impairment of non-financial assets

As at the reporting date, the Group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the Group's non-financial assets and the unobservable inputs are developed using the best available information about the assumptions that market participants would make in pricing these assets at the reporting date. Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations.

The Group acknowledges that certain geographies and sectors in which these assets are located are negatively impacted, and as the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Fair value measurement of investment properties

The market disruption caused by the COVID-19 pandemic resulted in a reduction in transactional evidence and market yields, and accordingly, there is an increased risk that the price realised in an actual transaction would differ from the value conclusion arrived by the valuers.

The highly uncertain economic outlook for the period may have a material adverse effect on the tenants' operations, the viability of their business and their ability to meet their rental obligations. This uncertainty is factored into the valuation of investment property, specifically in estimating rent payments from existing tenants, the void periods, occupancy rates, expected market rental growth rates and the discount rate, all of which are significant inputs into the fair value determination. As a result of this increased uncertainty, the assumptions may be revised significantly in 2021.

Fair value measurement of investment securities

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, and this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID 19, the Group is closely monitoring whether the fair values of its investment securities represent the price that would be achieved for transactions between market participants in the current scenario.

Going concern assessment

There is still significant uncertainty over how the outbreak will impact the Group's business in future periods and customer demand. Management has therefore modelled a number of different scenarios considering a period of 12 months from the date of authorisation of these consolidated financial statements in the light of current economic conditions and all available information about future risks and uncertainties. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of consumer demand, along with management's proposed responses over the course of the period. The impact of COVID-19 may continue to evolve, but based on the Group's liquidity position and financial resources as at the date of authorisation of these consolidated financial statements, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these consolidated financial statements have been prepared on a going concern basis.

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