Wafra International Investment Company K.S.C. (Closed) and its Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiary (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of 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) as adopted for use by the State of Kuwait.

Basis for Opinion

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)
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.

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 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.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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

10 March 2021
Kuwait

Wafra International Investment Company K.S.C. (Closed)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	*2020* ***KD***	*2019* *KD*
INCOME			
Management fees		**9,510,409**	8,989,847
Interest income		**525,662**	669,276
Unrealised (loss) gain from financial assets at fair value through profit or loss		**(960,985)**	6,114,313
Realised (loss) gain on sale of financial assets at fair value through profit or loss		**(162,819)**	149,790
Realised gain on sale of debt investments at fair value through other comprehensive income		**153**	-
Realised gain on other financial assets at amortised cost		**10,500**	-
Share of results of an associate	8	**(210,486)**	21,616
Impairment loss on investment in an associate	8	-	(898,189)
Dividend income		**2,038,180**	1,613,940
Other income	4	**189,390**	-
		10,940,004	16,660,593
EXPENSES			
Allowance for expected credit losses	10,11	**(23,377)**	(3,301)
Administrative expenses	5	**(3,376,935)**	(3,409,751)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		**7,539,692**	13,247,541
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(77,502)**	(132,259)
Zakat		**(79,074)**	(141,652)
Directors' remuneration	20	**(85,000)**	(85,000)
PROFIT FOR THE YEAR		**7,298,116**	12,888,630
BASIC AND DILUTED EARNINGS PER SHARE	6	**48.65 fils**	85.92 fils

The attached notes 1 to 26 form part of these consolidated financial statements.

Wafra International Investment Company K.S.C. (Closed)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 *KD*	*2019* *KD*
Profit for the year	**7,298,116**	12,888,630
Other comprehensive income (loss)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Debt instruments at fair value through other comprehensive income:		
Net change in fair value during the year	**170,605**	-
Net gain on sale transferred to profit or loss during the year	**(153)**	-
Changes in allowance for expected credit losses	**22,192**	-
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**192,644**	-
Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:		
Net change in fair value of equity instruments designated at fair value through other comprehensive income	**(372,733)**	3,014,188
Net other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods	**(372,733)**	3,014,188
Total other comprehensive (loss) income for the year	**(180,089)**	3,014,188
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,118,027**	15,902,818

The attached notes 1 to 26 form part of these consolidated financial statements.

Wafra International Investment Company K.S.C. (Closed)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	*2020* **KD**	*2019* KD
ASSETS			
Cash and cash equivalents	7	**14,134,989**	17,110,825
Accounts receivable and other assets	8	**4,235,756**	3,425,284
Investment in an associate	9	**853,794**	1,064,280
Financial assets at fair value through profit or loss	10	**38,207,662**	35,917,811
Financial assets at fair value through other comprehensive income	10	**26,285,080**	23,641,391
Other financial assets at amortised cost	11	**6,085,275**	5,775,960
Right-of-use assets	12	**338,541**	440,109
Intangible assets		**-**	3,628
Property and equipment	13	**225,677**	275,635
TOTAL ASSETS		**90,366,774**	87,654,923
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other accruals	14	**1,670,186**	1,952,681
Lease liabilities	12	**352,262**	448,059
Repurchase agreements	15	**349,195**	-
Employees' end of service benefits		**1,641,042**	1,518,121
Total liabilities		**4,012,685**	3,918,861
Equity			
Share capital	16	**15,000,000**	15,000,000
Statutory reserve	17(a)	**11,955,624**	11,201,654
Voluntary reserve	17(b)	**11,988,328**	11,234,358
Fair value reserve		**3,509,266**	4,078,980
Retained earnings		**41,650,871**	37,721,070
Proposed dividends	18	**2,250,000**	4,500,000
Total equity		**86,354,089**	83,736,062
TOTAL LIABILITIES AND EQUITY		**90,366,774**	87,654,923

Ghazi F. Al Hajeri
Chief Executive Officer

Raed M H Al Nusf
Chairman

The attached notes 1 to 26 form part of these consolidated financial statements.

Wafra International Investment Company K.S.C. (Closed)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Fair value reserve KD*	*Retained earnings KD*	*Proposed dividends KD*	*Total KD*
As at 1 January 2020	15,000,000	11,201,654	11,234,358	4,078,980	37,721,070	4,500,000	83,736,062
Profit for the year	-	-	-	-	7,298,116	-	7,298,116
Other comprehensive loss for the year	-	-	-	(180,089)	-	-	(180,089)
Total comprehensive (loss) income for the year	-	-	-	(180,089)	7,298,116	-	7,118,027
Transfer of gain on disposal of equity investments designated at FVOCI to retained earnings	-	-	-	(389,625)	389,625	-	-
Cash dividends (Note 18)	-	-	-	-	-	(4,500,000)	(4,500,000)
Transfer to reserves	-	753,970	753,970	-	(1,507,940)	-	-
Proposed dividends (Note 18)	-	-	-	-	(2,250,000)	2,250,000	-
At 31 December 2020	**15,000,000**	**11,955,624**	**11,988,328**	**3,509,266**	**41,650,871**	**2,250,000**	**86,354,089**
As at 1 January 2019	15,000,000	9,876,899	9,909,603	1,736,850	31,309,892	3,750,000	71,583,244
Profit for the year	-	-	-	-	12,888,630	-	12,888,630
Other comprehensive income for the year	-	-	-	3,014,188	-	-	3,014,188
Total comprehensive income for the year	-	-	-	3,014,188	12,888,630	-	15,902,818
Transfer of gain on disposal of equity investments designated at FVOCI to retained earnings	-	-	-	(672,058)	672,058	-	-
Cash dividends (Note 18)	-	-	-	-	-	(3,750,000)	(3,750,000)
Transfer to reserves	-	1,324,755	1,324,755	-	(2,649,510)	-	-
Proposed dividends (Note 18)	-	-	-	-	(4,500,000)	4,500,000	-
Balance as at 31 December 2019	15,000,000	11,201,654	11,234,358	4,078,980	37,721,070	4,500,000	83,736,062

The attached notes 1 to 26 form part of these consolidated financial statements

1 CORPORATE INFORMATION

The consolidated financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiary (collectively, the "Group") were authorised for issue by the Board of Directors on 10 March 2021 and the shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The Parent Company is a closed Kuwaiti shareholding company incorporated and domiciled in Kuwait. The registered address of the Parent Company is Al- Murqab – Abdulla Al-Mubark Street block 1 – Avenue # 800012 – Twin Tower - P.O. Box 27635, Safat 13137, State of Kuwait.

The Parent Company's primary objectives are as follows:

1. Investment in the real estate, industrial, agricultural fields, and other economic industries through contributing to incorporation of specialised entities, or subscription of the shares of these entities.
2. Transactions related to trading securities including, sale or purchase shares and bonds of Governmental companies and institutions that are only for the benefit of the Company.
3. Conducting the function of investment trustees, and investment portfolio management for others.
4. Mediation in lending and borrowing transactions for commission or fees; for the interest of the Company or for others.
5. Financing and brokerage in the international trade transactions.
6. Provision of research, studies, and other technical services related to the investment operations, and employment of the funds of others.
7. Establishment and management of mutual funds in accordance with the related Laws.
8. Conducting the functions of issuance managers for bonds issued by companies and institutions.

The Parent Company is wholly owned by The Public Institution for Social Security (PIFSS) (the "Ultimate Parent Company"). The Parent Company is regulated by the Central Bank of Kuwait (CBK) and the Capital Markets Authority (CMA) as a finance and investment company, respectively.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations issued by the Central Bank of Kuwait ("CBK") for financial services institutions in the State of Kuwait. These regulations require the expected credit loss ("ECL") on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The consolidated financial statements have been prepared on a historical cost basis, except for equity and debt financial assets that have been measured at fair value.

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

The Group presents its consolidated statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

The consolidated financial statements provide comparative information in respect of the previous period. The Group reclassified certain amounts within the statement of cash flows to conform with current year's presentation. Such reclassifications do not have any effect on statement of profit or loss or equity and have been made to improve the quality of information presented.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

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

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

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

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

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

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Reference to the Conceptual Framework – Amendments to IFRS 3 (continued)
At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.
The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

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

Amendments to IFRS 16 *COVID-19 Related Rent Concessions*
On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

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

2.4 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statement comprises the financial statements of the Parent Company and its subsidiary as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

Generally, there is a presumption that a majority of voting rights result 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 period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)
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.

The consolidated financial statements of the Group include:

Name	*Country of incorporation*	*Principal activities*	% equity interest *2020*	*2019*
Project Greenhouse SPC Ltd *	Cayman Islands	Investment entity	**100**	-

* On 31 March 2020, the Parent Company incorporated Project Greenhouse SPC Ltd ("Project Greenhouse"), an exempted segregated portfolio company established in the Cayman Islands under registration no 361469. Project Greenhouse has not commenced operations as at the reporting date.

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

Management fees and commission income
The Group earns management fees and commission income from a diverse range of financial services it provides to its customers. Management fees and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period of a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Finance income
Finance income is presented separately from revenue from contracts with customers in the consolidated statement of profit or loss and is over recognised at it accrues using the effective interest rate method.

Taxation
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.

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.

Earnings per share (EPS)
Basic EPS amounts are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit for the year (after adjusting for interest on the convertible preference shares) 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 conversion of all the dilutive potential ordinary shares into ordinary shares.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

Term deposits
Term deposits represent deposits with banks due within three months from the placement date and earn interest.

Financial instruments

Financial assets
a) Recognition and initial measurement
Account 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) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Account receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement
On initial recognition, a financial asset is classified as 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.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets – Business model assessment (continued)

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)
Financial assets – Subsequent measurement and gains and losses (continued)

▸ 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.

c) Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
a) Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include accounts payable and other accruals, lease liabilities and liabilities arising from repurchase agreements.

b) Subsequent measurement
Accounts payable and other liabilities
Accounts payable and other liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

c) Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

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.

Repurchase agreements
Securities sold under agreements to repurchase ("repos") at a specified future date are not derecognised from the consolidated statement of financial position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within repurchase agreements with counterparties, reflecting the transaction's economic substance.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Repurchase agreements (continued)
The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest rate.

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

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

The Group applies a three-stage approach to measure the expected credit loss on bank balances and debt investments as follows:

Stage 1: 12 months ECL
For exposures where there has not been a significant increase in credit risk since initial recognition, the portion of the lifetime ECL associated with the probability of default events occurring within next 12 months is recognised.

Stage 2: Lifetime ECL – not credit impaired
For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.

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

The management considers a financial asset in default when the contractual payments are 365 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.

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

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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

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

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

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

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

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

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

For assets and liabilities that are recognised in the consolidated financial statements at fair value 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.

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as unquoted equity investments.

The Group measures financial instruments such as investment in equity securities and mutual funds, at fair value at each reporting date. Fair-value related disclosures for financial instruments that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed in Note 24.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired.

If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in profit or loss.

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

Leases
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).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

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

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives.

The estimated useful lives are as follows:

Property and equipment	5 years

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.

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For non-financial assets excluding goodwill, 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 Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds 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.

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.

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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)
With respect to its 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.

Foreign currencies
Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Fiduciary assets
The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

Events after the reporting period
If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Dividend distribution
The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the Shareholders at the annual general assembly. A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date

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

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

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, 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 disclosure of contingent liabilities at the date of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

Classification of investments
Classification of investments is based on management's intention at acquisition and requires considerable judgment.

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.

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 for leases with shorter non-cancellable period (i.e., five years). Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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.

Impairment of investment in an associate
Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group 's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

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 and FVOCI. For account receivables and other receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Useful lives of depreciable assets

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

Fair value measurement

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.

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 (such as market interest rates) when available and is required to make certain entity-specific estimates.

4 OTHER INCOME

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

The financial support amounting to KD 189,390 is accounted for in accordance with IAS 20 *'Accounting for Government Grants and Disclosures of Government Assistance'* and recognised in profit or loss as 'other income' on a systematic basis over the periods in which the Parent Company recognises expenses for the related staff costs.

5 ADMINISTRATIVE EXPENSES

	2020 *KD*	*2019* *KD*
Staff costs	**2,729,980**	2,602,693
Depreciation and amortisation	**238,996**	225,663
Other administrative expenses	**407,959**	581,395
	3,376,935	3,409,751

6 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2020	*2019*
Profit for the year (KD)	**7,298,116**	12,888,630
Weighted average number of ordinary shares outstanding during the year (shares)	**150,000,000**	150,000,000
Basic and diluted earnings per share (fils)	**48.65**	85.92

7 CASH AND CASH EQUIVALENTS

	2020 KD	*2019 KD*
Bank balances and cash	**466,713**	221,120
Short-term deposits	**9,523,268**	12,610,653
Call accounts	**4,145,008**	4,279,052
	14,134,989	17,110,825

Short-term deposits are denominated in both local and foreign currencies with maturities of three months or less and earn an average effective interest rate of 1.97 % (2019: 3.06%) per annum. Call accounts are denominated in both local and foreign currencies and earn an average interest rate of 0.063% (2019: 0.063%) per annum.

8 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2020 KD	*2019 KD*
Accrued management fees	**2,566,541**	2,361,717
Advance subscriptions	**-**	600,000
Other assets	**1,669,215**	463,567
	4,235,756	3,425,284

9 INVESTMENT IN AN ASSOCIATE

Name of the associate	*Country of incorporation*	*Effective equity interest %*		*Principal activities*
		2020	*2019*	
Sanam Real Estate K.S.C.P. ("Sanam")	Kuwait	**24.13%**	24.13%	Real estate

The following table illustrates the summarised financial information of the associate. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Group's share of these amounts.

	2020 KD	*2019 KD*
Current assets	**2,620,481**	2,757,094
Non-current assets	**7,855,404**	6,957,896
Current liabilities	**(1,732,819)**	(91,021)
Non-current liabilities	**(40,853)**	(49,452)
Equity	**8,702,213**	9,574,517
Group's share in equity	**2,099,845**	2,310,331
Impairment losses	**(1,246,051)**	(1,246,051)
Group's carrying amount	**853,794**	1,064,280
(Losses) revenue	**(157,002)**	806,636
(Loss) profit for the year	**(872,300)**	89,580
Group's share of (loss) profit for the year	**(210,486)**	21,616

As at 31 December 2020, the fair value of the Group's interest in Sanam, which is listed in Boursa Kuwait (based on quoted market price) was KD 925,720 (2019: KD 1,064,280). Management has assessed whether there is any objective evidence that its investment in an associate is considered impaired. As a result of the exercise, the management has concluded that no impairment provision is considered necessary in the current year (2019: KD 898,189).

The fair value of investment in an associate has been categorised as level 1, based on inputs to the valuation technique used.

9 INVESTMENT IN AN ASSOCIATE (continued)

A reconciliation of the above summarised financial information to the carrying amount of the associate is set out below:

Reconciliation to carrying amounts

	2020 *KD*	*2019* *KD*
As at 1 January	**1,064,280**	1,940,853
Share of results	**(210,486)**	21,616
Impairment losses	-	(898,189)
As at 31 December	**853,794**	1,064,280

10 INVESTMENT SECURITIES

	2020 *KD*	*2019* *KD*
Financial assets at fair value through profit or loss:		
Local funds	**18,977,669**	20,980,623
Foreign funds	**19,229,993**	14,937,188
Total	**38,207,662**	35,917,811
Financial assets at fair value through other comprehensive income:		
Local unquoted equity securities	**914,581**	1,009,698
Local quoted equity securities	**5,355,486**	7,057,055
Foreign unquoted equity securities	**7,366,068**	6,618,612
Foreign quoted equity securities	**9,186,997**	8,956,026
Foreign quoted debt securities*	**3,461,948**	-
	26,285,080	23,641,391

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 24.

*All the foreign quoted debt securities are classified under stage 1. ECL recognised on these securities during the year amounted to KD 22,192 (2019: KD Nil).

11 OTHER FINANCIAL ASSETS AT AMORTISED COST

These represent investment in subordinated bonds issued by local banks and carry an interest rate of 4% to 6.45% (2019: 4.75 % to 6.95%) per annum and have maturity dates between December 2023 and March 2026 (2019: December 2023 and March 2026). Investments in bonds are subject to expected credit losses.

A reconciliation of changes in gross carrying amount and corresponding allowance for ECL for debt instruments measured at amortised cost is as follows:

	2020 *KD* *Stage 1*	*2019* *KD* *Stage 1*
Gross carrying amount as at 1 January	**5,775,960**	4,485,261
New assets originated or purchased	**300,000**	1,294,000
Realised gain on assets derecognised	**10,500**	-
Remeasurement of ECL	**(1,185)**	(3,301)
	6,085,275	5,775,960

12 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As a lessee, the Group leases properties consisting of office space which generally have lease terms between 1 and 5 years.

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

	2020 KD
As at 1 January 2019	541,672
Depreciation expense	(101,563)
As at 31 December 2019	440,109
Depreciation expense	(101,568)
As at 31 December 2020	**338,541**

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	**448,059**	541,672
Accretion of interest	**18,203**	20,387
Payments	**(114,000)**	(114,000)
At 31 December	**352,262**	448,059

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 4.5%

The maturity analysis of lease liabilities is disclosed in Note 22.

The following are the amounts recognised in profit or loss:

	2020 KD	*2019 KD*
Depreciation expense of right-of-use assets	**101,568**	101,563
Interest expense on lease liabilities	**18,203**	20,387
Total amount recognised in profit or loss	**119,771**	121,950

The Group had total cash outflows for Leases of KD 114,000 (KD 114,000 in 2019).

13 PROPERTY AND EQUIPMENT

	Office equipment *KD*	*Furniture and fittings* *KD*	*Total* *KD*
Cost			
As at 1 January 2020	102,504	545,389	647,893
Additions	83,842	-	83,842
As at 31 December 2020	**186,346**	**545,389**	**731,735**
Depreciation			
As at 1 January 2020	83,239	289,019	372,258
Depreciation for the year	35,667	98,133	133,800
As at 31 December 2020	**118,906**	**387,152**	**506,058**
Net book value			
As at 31 December 2020	**67,440**	**158,237**	**225,677**

	Office equipment *KD*	*Furniture and fittings* *KD*	*Total* *KD*
Cost			
As at 1 January 2019	89,382	540,240	629,622
Additions	13,122	5,149	18,271
As at 31 December 2019	102,504	545,389	647,893
Depreciation			
As at 1 January 2019	67,521	186,923	254,444
Depreciation for the year	15,718	102,096	117,814
As at 31 December 2019	83,239	289,019	372,258
Net book value			
As at 31 December 2019	19,265	256,370	275,635

14 ACCOUNTS PAYABLE AND OTHER ACCRUALS

	2020 ***KD***	*2019* *KD*
Accounts payable	**216,181**	246,549
Accrued expenses	**907,330**	1,171,296
Other liabilities	**546,675**	534,836
	1,670,186	1,952,681

15 REPURCHASE AGREEMENTS

During the year, the Parent Company has entered into repurchase agreements of KD 349,195, with a bank (2019: Nil), and the fair value of investment securities that had been provided as collateral was KD 611,502 (2019: Nil).

16 SHARE CAPITAL

Authorized, issued and fully paid up share capital consists of 150,000,000 (2019: 150,000,000) shares of 100 fils (2019: 100 fils) each. All shares were paid in cash.

17 RESERVE

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 attributable to equity holders of the Parent Company before tax 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.

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 attributable to equity holders of the Parent Company before tax 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.

18 DISTRIBUTIONS MADE AND PROPOSED

	2020	*2019*
	KD	*KD*
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2019: 30 fils per share (2018: 25 fils per share)	**4,500,000**	3,750,000
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2020: 15 fils per share (2019: 30 fils per share)	**2,250,000**	4,500,000

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

19 FIDUCIARY ASSETS

In the normal course of business, the Parent Company carries out investment management and custody services on behalf of others. As at 31 December 2020, the value of fiduciary assets amounted to KD 2,203,817,186 (2019: KD 1,915,145,030) of which 92.07% (2019: 90.6%) relates to the principal shareholder of the Parent Company. Fiduciary assets are excluded from the consolidated statement of financial position of the Group.

Income earned from fiduciary assets amounted to KD 9,510,409 for the year ended 31 December 2020 (2019: KD 8,989,847).

20 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management. Transactions with related parties are as follows:

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group is exposed to market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk i. The Parent Company's senior management oversees the management of these risks. The Parent Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Parent Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

22.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include deposits, debt and equity investments.

a) 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 incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and liabilities at the reporting date:

	Assets	
	2020	*2019*
Currency	***KD***	*KD*
US Dollar (USD)	**29,874,280**	11,332,079
EURO (EUR)	**4,259,133**	3,605,109

Foreign exchange rate 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:

	Change in exchange rate	***2020***	*2019*
Currency		***KD***	*KD*
USD	**5%**	**1,493,714**	566,604
EUR	**5%**	**212,957**	180,255

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.1 Market risk (continued)

b) Interest rate risk

The Group is exposed to interest risk on short term deposits and call accounts which mature or reprice in the short-term, no longer than twelve months. The effective average interest rates are disclosed in Note 7. As a result, the Group is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

c) Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) (Note 10). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Parent Company's senior management on a regular basis. The Group's investment executive committee reviews and approves all equity investment decisions.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 8,280,649 (2019: KD 7,628,310). Sensitivity analyses of these investments have been provided in Note 24.

The Group's listed equity investments are publicly traded and are included either in the Kuwait Stock Exchange ("Boursa Kuwait"), GCC markets or other markets.

The table below summarises the impact of increases/decreases of these price indexes on the Group's equity for the period. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% and 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

2020

Market indices	*% change in equity price*	*Effect on equity*
		KD
Boursa Kuwait	**± 5**	**217,495**
GCC markets	**± 5**	**125,792**
Other markets	**± 5**	**101,311**

2019

Market indices	*% change in equity price*	*Effect on equity*
		KD
Boursa Kuwait	± 5	352,546
GCC markets	± 5	338,204
Other markets	± 5	53,728

22.2 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, including cash at banks and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2020 **KD**	*2019* *KD*
Cash and cash equivalents	**14,134,989**	17,110,825
Accounts receivable and other assets	**4,235,756**	3,425,284
Debt investments at FVOCI	**3,461,948**	-
Other financial assets at amortised cost	**6,085,275**	5,775,960
Credit exposure on assets	**27,917,968**	26,312,069

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.2 Credit risk (continued)

Cash and cash equivalents

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. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Accounts receivable and other assets

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of account 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 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, accounts 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.

As a result, the impact of application of the expected credit risk model at reporting date was immaterial.

Debt investments and other financial assets at amortised cost

Debt instruments at FVOCI and amortised cost are subject to the impairment requirements of IFRS 9. Management has computed the expected credit losses (ECL) based on the three-stage approach to measure the ECL. The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. Accordingly, management has recorded ECL amounting to KD 23,377 (2019: KD 3,301) for the year then ended.

22.3 Concentration of financial assets

The distribution of financial assets by geographic region for 2020 and 2019 is as follows:

2020	***State of Kuwait KD***	***Europe KD***	***GCC KD***	***Total KD***
Cash and cash equivalents	**6,532,415**	**5,073,776**	**2,528,798**	**14,134,989**
Accounts receivable and other assets	**3,492,381**	**250,656**	**492,719**	**4,235,756**
Debt investments at FVOCI	-	-	**3,461,948**	**3,461,948**
Other financial assets at amortised cost	**6,085,275**	-	-	**6,085,275**
Credit exposure on assets	**16,110,071**	**5,324,432**	**6,483,465**	**27,917,968**

2019	*State of Kuwait KD*	*Europe KD*	*GCC KD*	*Total KD*
Cash and cash equivalents	15,597,300	1,322,391	191,134	17,110,825
Accounts receivable and other assets	3,009,320	88,719	327,245	3,425,284
Other financial assets at amortised cost	5,775,960	-	-	5,775,960
Credit exposure on assets	24,382,580	1,411,110	518,379	26,312,069

22 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

22.4 Liquidity risk (continued)

2019	*Within 3 months* KD	*3 to 12 months* KD	*More than 1 year* KD	*Total* KD
Assets				
Cash and cash equivalents	17,110,825	-	-	17,110,825
Accounts receivable and other assets	3,363,967	61,317	-	3,425,284
Financial assets at fair value through profit or loss	-	35,917,811	-	35,917,811
Financial assets at fair value through other comprehensive income	-	-	23,641,391	23,641,391
Other financial assets at amortised cost	-	-	5,775,960	5,775,960
	20,474,792	35,979,128	29,417,351	85,871,271
Liabilities				
Accounts payable and other accruals	1,420,506	532,175	-	1,952,681
Lease liabilities	-	-	448,059	448,059
	1,420,506	532,175	448,059	2,400,740
Net liquidity gap	19,054,286	35,446,953	28,969,292	83,470,531

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

	31 December 2020		
	Within 12 months ***KD***	***After 12 months*** ***KD***	***Total*** ***KD***
ASSETS			
Cash and cash equivalents	**14,134,989**	-	**14,134,989**
Accounts receivable and other assets	**4,235,756**	-	**4,235,756**
Investment in an associate	**853,794**	-	**853,794**
Financial assets at fair value through profit or loss	**38,207,662**	-	**38,207,662**
Financial assets at fair value through other comprehensive income	-	**26,285,080**	**26,285,080**
Other financial assets at amortised cost	-	**6,085,275**	**6,085,275**
Property and equipment	-	**225,677**	**225,677**
Right-of-use assets	-	**338,541**	**338,541**
Total assets	**57,432,201**	**32,934,573**	**90,366,774**
LIABILITIES			
Accounts payable and other liabilities	**1,670,186**	-	**1,670,186**
Lease liabilities	-	**352,262**	**352,262**
Repurchase agreements	**349,195**	-	**349,195**
Employees' end of service benefits	-	**1,641,042**	**1,641,042**
Total liabilities	**2,019,381**	**1,993,304**	**4,012,685**
Net	**55,412,820**	**30,941,269**	**86,354,089**

23 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	31 December 2019		
	Within 12 months KD	*After 12 months* KD	*Total* KD
ASSETS			
Cash and cash equivalents	17,110,825	-	17,110,825
Accounts receivable and other assets	3,425,284	-	3,425,284
Investment in an associate	-	1,064,280	1,064,280
Financial assets at fair value through profit or loss	35,917,811	-	35,917,811
Financial assets at fair value through other comprehensive income	-	23,641,391	23,641,391
Other financial assets at amortised cost	-	5,775,960	5,775,960
Property and equipment	-	275,635	275,635
Intangible assets	-	3,628	3,628
Right-of-use assets	-	440,109	440,109
Total assets	56,453,920	31,201,003	87,654,923
LIABILITIES			
Accounts payable and other liabilities	1,952,681	-	1,952,681
Lease liabilities	95,798	352,261	448,059
Employees' end of service benefits	-	1,518,121	1,518,121
Total liabilities	2,048,479	1,870,382	3,918,861
Net	54,405,441	29,330,621	83,736,062

24 FAIR VALUE MEASURMENT

Fair value hierarchy

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

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

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

24.1 Financial instruments

The following tables provide the fair value measurement hierarchy of the Group's financial assets:

	Fair value measurement using			
2020	***Quoted prices in active markets Level 1*** **KD**	***Significant observable inputs Level 2*** **KD**	***Significant unobservable inputs Level 3*** **KD**	***Total*** **KD**
Assets measured at fair value:				
Financial assets at FVPL				
- Unquoted funds	-	**35,156,498**	**3,051,164**	**38,207,662**
Financial assets at FVOCI				
- Quoted equity securities	**14,542,483**	-	-	**14,542,483**
- Quoted debt securities	**3,461,948**	-	-	**3,461,948**
- Unquoted equity securities	-	-	**8,280,649**	**8,280,649**
	18,004,431	**35,156,498**	**11,331,813**	**64,492,742**

24 FAIR VALUE MEASURMENT (continued)

24.1 Financial instruments (continued)

	Fair value measurement using			
2019	*Quoted prices in active markets Level 1* KD	*Significant observable inputs Level 2* KD	*Significant unobservable inputs Level 3* KD	*Total* KD
Assets measured at fair value:				
Financial assets at FVPL				
- Unquoted funds	-	35,917,811	-	35,917,811
Financial assets at FVOCI				
- Quoted equity securities	16,013,081	-	-	16,013,081
- Unquoted equity securities	-	-	7,628,310	7,628,310
	16,013,081	35,917,811	7,628,310	59,559,202

There were no transfers between any levels of the fair value hierarchy during 2020 or 2019.

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and cash equivalents
- Accounts receivables and other assets
- Other financial assets at amortised cost
- Accounts payable and other accruals

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

Listed investment in equity and debt securities
Fair values of publicly traded equity and debt securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments
The Group invests in private equity 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 the majority of these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Unlisted mutual funds
The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the net asset value (NAV) of these investee funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the investee fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the investee fund. Depending 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 as either Level 2 or Level 3.

24 FAIR VALUE MEASURMENT (continued)

24.1 Financial instruments (continued)

Reconciliation of Level 3 fair values

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

	2020 ***KD***	*2019* *KD*
At the beginning of the year	**7,628,310**	7,581,121
Net purchases and (sales)	**4,242,356**	80,850
Remeasurement recognised in profit or loss / OCI	**(538,853)**	(33,661)
At the end of the year	**11,331,813**	7,628,310

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are as shown below:

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	25% - 40% (2019: 25% - 40%)	10% (2019: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 122,201 (2019: KD 136,522)

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

25 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. Capital comprises share capital and all other equity reserves and is measured at KD 84,104,089 as at 31 December 2020 (2019: KD 79,236,062).

26 IMPACT OF COVID-19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. While the disruption is currently expected to be temporary, economic uncertainties have arisen. The existing and anticipated effects of the outbreak of COVID-19 on the economy is expected to continue to evolve.

The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. In addition, the Parent Company is an /investment company having its investments span globally in various securities and funds. Due to unprecedented and widespread disruption of business operations worldwide, lack of demand and consumption and preventive measures taken across the globe, many of the corporates and business have been impacted negatively by COVID-19. .

The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its investments and financial performance.

26 IMPACT OF COVID-19 (continued)

The uncertainties caused by COVID-19, and the volatility in oil prices have required the Group to update the estimates and assumptions used for the:

- Impairment of investment in an associate
- Valuation of unquoted equity shares and funds
- ECL on debt instruments at FVOCI and amortised cost
- Going concern assumption.

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group's financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Group will accordingly continue to reassess its position and the related impact on a regular basis.