COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2020

EY
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the related 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 *Auditors' 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment assessment of investment in associates

The Group's investment in associates amounted to KD 29,565,180 as at 31 December 2020 (2019: KD 36,392,709), representing 61% (2019: 64%) of the total assets of the Group.

Investment in associates are accounted for under the equity method of accounting, 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 provisions. Management determines at the end of each reporting period the existence of any objective evidence through which the Group's investment in associates may be 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.

The recoverable amount of investment in associates is determined based on value-in-use calculations which require the use of assumptions such as estimated future cash flow projections, terminal value growth rate and appropriate discount rates.

The Group engaged an external management expert to assist with the impairment testing. The Group considered, amongst other factors, the negative outlook due to the impact of the ongoing COVID-19 pandemic in the determination of the recoverable amount of the cash generating units (CGUs).

As a result of the analysis, the recoverable amount of the respective CGUs subject to impairment testing based on value in use as at 31 December 2020 was estimated to be lower than the carrying value of certain associates as of that date, accordingly, management has identified impairment loss on such investments amounting to KD 6,291,915 (2019: KD Nil) during the year then ended largely as a result of the negative economic outlook related to the consequences of the coronavirus pandemic.

Due to the level of judgement required in determining whether there is an indication that the carrying value of associates may be impaired and the key assumptions used to determine the recoverable amount if such indication exists, we identified this area as a key audit matter.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Impairment assessment of investment in associates (continued)

Our audit procedures included, amongst others, the following:

- We evaluated management's assessment as to whether objective evidence of impairment exists in relation to the Group's interest in the associate and the qualitative and quantitative factors used such as the investee's financial performance including dividends, and market, economic or legal environment in which the associate operates. Whenever there is such indication, we challenged the significant assumptions and valuation methods used by the management in assessing impairment and the reasonableness and appropriateness of those assumptions and methods in the circumstances.

- We assessed management's assumptions, including the comparison of relevant assumptions to industry benchmarks, economic forecasts, formal approved budgets and benchmark the accuracy of the management's budget and forecast to actual performance in prior years.

- We involved our internal valuation specialists to challenge the significant assumptions and valuation methods used by the management, and the reasonableness and appropriateness of those assumptions and methods in the circumstances.

- We evaluated the adequacy of the Group's disclosures in Note 7 to the consolidated financial statements, including disclosures of key assumptions and judgements.

Valuation of investment securities

The Group's investment securities represent 23% (2019: 21%) of the Group's total assets classified as financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) as disclosed in Note 8 to the consolidated financial statements, of which KD 6,891,558 (2019: KD 7,721,747) are measured at fair value using significant observable inputs (Level 2) and KD 3,611,268 (2019: KD 4,164,936) using significant unobservable inputs (Level 3), as disclosed in Note 18 to the consolidated financial statements.

The valuation of the Group's investment securities involves the use of assumptions and estimates, predominantly for the instruments classified within Level 2 and Level 3 of the fair value hierarchy. The key inputs to these models require a considerable degree of judgement by management in establishing fair values and include the determination of price to book multiples from comparable companies, identification of recent sales transactions, calculated Net Asset Value (NAV) and fair value from third party managers including application of illiquidity discounts in certain cases.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Valuation of investment securities (continued)

Given the size and complexity of the valuation of unquoted investment securities, including the impact of the current pandemic of COVID-19 uncertainties on their valuations, and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter

Our audit procedures included, among others, the following:

- We have tested the Level 1 inputs by comparing the fair values applied by the Group to quoted prices in active markets.

- For valuations which used significant both observable and unobservable inputs (Level 2 and Level 3), we have tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy.

- We have evaluated the appropriateness of the models used to what we considered to be available alternative valuation methods. We have also evaluated the reasonableness of the significant judgments and assumptions applied to the valuation models, including appropriateness of the comparable listed companies' selection, the pricing multiples and discounts for lack of marketability.

- We assessed the adequacy and the appropriateness of the Group's disclosures concerning fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in Note 18 to the consolidated financial statements.

Other information in the Group's 2020 Annual Report

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

Other information in the Group's 2020 Annual Report (continued)

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

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

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

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

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, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, to the best of our knowledge and belief, we have not become aware of any material 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)

28 March 2021
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
INCOME			
Net investment (loss) income	4	**(618,179)**	1,486,060
Management fees		**591,652**	541,047
Other income		**2,926**	2,658
Share of results of associates	7	**(2,697,627)**	28,636
Net foreign exchange differences		**194,515**	(85,147)
		(2,526,713)	1,973,254
EXPENSES			
Staff costs		**(884,795)**	(864,099)
General and administrative expenses		**(217,494)**	(482,167)
Depreciation expense	6	**(19,848)**	(17,257)
Impairment of investment in associates	7	**(6,291,915)**	-
Allowance for expected credit losses		**(250,469)**	-
		(7,664,521)	(1,363,523)
(LOSS) PROFIT FOR THE YEAR BEFORE TAX		**(10,191,234)**	609,731
National Labour Support Tax (NLST)		**-**	(16,599)
Zakat		**-**	(6,639)
(LOSS) PROFIT FOR THE YEAR		**(10,191,234)**	586,493
Attributable to:			
Equity holders of the Parent Company		**(10,191,234)**	586,493
Non-controlling interests		**-**	-
		(10,191,234)	586,493
BASIC AND DILUTED (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	5	**(17.44) fils**	1.00 fils

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	***2020*** ***KD***	*2019* *KD*
(LOSS) PROFIT FOR THE YEAR		**(10,191,234)**	586,493
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,341,428**	(418,477)
Share of other comprehensive income of associates	7	**1,235,523**	175,740
Net other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods		**2,576,951**	(242,737)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Net loss on equity instruments designated at fair value through other comprehensive income		**(118,302)**	(584,885)
Share of other comprehensive loss of associates	7	**(415,026)**	(669,035)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(533,328)**	(1,253,920)
Other comprehensive income (loss) for the year		**2,043,623**	(1,496,657)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(8,147,611)**	(910,164)
Attributable to:			
Equity holders of the Parent Company		**(8,147,348)**	(909,961)
Non-controlling interests		**(263)**	(203)
		(8,147,611)	(910,164)

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	***2020 KD***	*2019 KD*
ASSETS			
Non-current assets			
Property and equipment	6	**1,077,278**	1,091,140
Investment property		**151,625**	151,525
Investment in associates	7	**29,565,180**	36,392,709
Financial assets at fair value through profit or loss	8	**10,075,374**	11,340,929
Financial assets at fair value through other comprehensive income	8	**427,452**	545,754
Other assets	9	**1,878,291**	2,036,710
		43,175,200	51,558,767
Current assets			
Financial assets at fair value through profit or loss	8	**512,710**	-
Other assets	9	**429,401**	479,315
Cash and cash equivalents	10	**4,282,463**	4,526,617
		5,224,574	5,005,932
TOTAL ASSETS		**48,399,774**	56,564,699
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**62,529,315**	62,529,315
Statutory reserve	11	**11,647,495**	11,647,495
Voluntary reserve	11	**1,991,146**	1,991,146
Treasury shares	11	**(4,775,819)**	(4,775,819)
Treasury shares reserve	11	**25,702**	25,702
Other reserve	11	**(1,012,979)**	(597,953)
Foreign currency translation reserve	11	**4,011,527**	1,434,313
Fair value reserve	11	**(2,557,803)**	(2,439,501)
Accumulated losses		**(24,915,149)**	(14,723,915)
Equity attributable to equity holders of the Parent Company		**46,943,435**	55,090,783
Non-controlling interests		**32,080**	32,343
Total equity		**46,975,515**	55,123,126
Liabilities			
Non-current liabilities			
Employees' end of service benefits	12	**306,691**	292,672
Current liabilities			
Other liabilities	13	**1,117,568**	1,148,901
Total liabilities		**1,424,259**	1,441,573
TOTAL EQUITY AND LIABILITIES		**48,399,774**	56,564,699

Osama A. Al Ayoub
Chairman

Thamer Nabeel Al Nesef
Chief Executive Officer

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company											
	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Treasury shares KD*	*Treasury shares reserve KD*	*Other reserve KD*	*Foreign currency translation reserve KD*	*Fair value reserve KD*	*Accumulated losses KD*	*Sub-total KD*	*Non-controlling interests KD*	*Total KD*
As at 1 January 2020	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	(597,953)	1,434,313	(2,439,501)	(14,723,915)	55,090,783	32,343	55,123,126
Loss for the year	-	-	-	-	-	-	-	-	(10,191,234)	(10,191,234)	-	(10,191,234)
Other comprehensive (loss) income for the year	-	-	-	-	-	(415,026)	2,577,214	(118,302)	-	2,043,886	(263)	2,043,623
Total comprehensive (loss) income for the year	-	-	-	-	-	(415,026)	2,577,214	(118,302)	(10,191,234)	(8,147,348)	(263)	(8,147,611)
At 31 December 2020	**62,529,315**	**11,647,495**	**1,991,146**	**(4,775,819)**	**25,702**	**(1,012,979)**	**4,011,527**	**(2,557,803)**	**(24,915,149)**	**46,943,435**	**32,080**	**46,975,515**
As at 1 January 2019	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	71,082	1,676,847	(1,854,616)	(15,310,408)	56,000,744	32,546	56,033,290
Profit for the year	-	-	-	-	-	-	-	-	586,493	586,493	-	586,493
Other comprehensive loss for the year	-	-	-	-	-	(669,035)	(242,534)	(584,885)	-	(1,496,454)	(203)	(1,496,657)
Total comprehensive (loss) income for the year	-	-	-	-	-	(669,035)	(242,534)	(584,885)	586,493	(909,961)	(203)	(910,164)
At 31 December 2019	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	(597,953)	1,434,313	(2,439,501)	(14,723,915)	55,090,783	32,343	55,123,126

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	***2020*** ***KD***	*2019* *KD*
OPERATING ACTIVITIES			
(Loss) profit before tax		**(10,191,234)**	609,731
Adjustments to reconcile (loss) profit before tax to net cash flows:			
Share of results of associates	7	**2,697,627**	(28,636)
Unrealised loss (gain) on financial assets at FVTPL	4	**1,093,064**	(1,181,928)
Realised gain on sale financial assets at FVTPL	4	**(390,298)**	(149,598)
Interest income	4	**(76,837)**	(154,534)
Dividend income	4	**(7,750)**	-
Depreciation expense	6	**19,848**	17,257
Impairment of investment in associates	7	**6,291,915**	-
Employees' end of service benefits	12	**64,944**	62,030
Allowance for expected credit losses on other receivables		**250,469**	-
		(248,252)	(825,678)
Changes in operating assets and liabilities:			
Financial assets at FVTPL		**(661,110)**	(88,302)
Other assets		**(33,144)**	179,956
Other liabilities		**62,368**	255,876
Cash flows used in operations		**(880,138)**	(478,148)
Employees' end of service benefits paid	12	**(50,925)**	(7,813)
Taxes paid		**(93,701)**	(463,025)
Net cash flows used in operating activities		**(1,024,764)**	(948,986)
INVESTING ACTIVITIES			
Purchase of equipment	6	**(5,986)**	(19,780)
Purchase of additional shares in an associate	7	**-**	(13,273)
Dividends received from an associate	7	**-**	507,444
Proceeds from sale of financial assets at FVTPL		**711,189**	1,515,740
Interest income received		**67,845**	217,137
Dividend income received		**7,750**	-
Net cash flows from investing activities		**780,798**	2,207,268
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(243,966)**	1,258,282
Net foreign exchange differences		**(188)**	(34)
Cash and cash equivalents as at 1 January		**4,526,617**	3,268,369
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	10	**4,282,463**	4,526,617

The attached notes 1 to 21 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

The consolidated financial statements of the Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2021, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The Parent Company is a public shareholding company incorporated on 29 July 1975. The Parent Company is engaged in various types of investment management activities such as private equity, asset management and real estate investments in local and international markets. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA").

The Parent Company's registered office is at P.O. Box 26755, Safat 13128, State of Kuwait.

The activities are carried out in accordance with the Parent Company's Articles of Association. The principal activities of the Parent Company are, as follows:

- To carry out all operations relating to securities, including sale and purchase of shares and bonds of companies, governmental and semi-governmental corporations, for its own account or for the account of others.
- Management of financial portfolios and investment and development of its customers' funds by deployment of their funds in investment fields locally and internationally.
- To carry out all financial transactions including borrowing and lending, guarantees and issuing bonds of all types with or without security in the local and international markets.
- To establish and manage investment funds for its own account and for the account of others, offering its units for subscription and undertaking the functions of the investment custodian or investment manager for investment funds inside and outside the country in accordance with the laws and resolutions applicable in the state.
- To carry out the duties related to the functions of lead managers and investment custodians of bonds issued by companies or authorities.

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 investment securities and investment properties that have been measured at fair value.

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

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries 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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

Profit or loss and each component of other comprehensive income 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.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests 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 of subsidiary	**Country of incorporation**	**Effective equity interest**		**Principal activities**
		2020	*2019*	
Directly held:				
Coast Investments Limited ("CIL")	BVI	**100%**	100%	Investment services
Coast Holding Corporation ("CHC")	USA	**100%**	100%	Investment services
Indirectly held through CHC:				
Winters Estate LLC ("Winters")	USA	**80%**	80%	Real estate

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.3.1 New and amended standards and interpretations

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 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 a 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 IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.3.1 New standards, interpretations, and amendments adopted by the Group (continued)

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

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

Conceptual Framework for Financial Reporting issued on 29 March 2018
The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

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

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

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

2.3.2 Summary of accounting policies for new transactions and events

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.

2.4 STANDARDS ISSUED BUT NOT EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

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

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

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

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

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

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

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

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

IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

2.5 SIGNIFICANT ACCOUNTING POLICIES

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.1 Business combinations and goodwill (continued)

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognised in accordance with the requirements for provisions in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

2.5.2 Investment in associates

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

The 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 not tested for impairment separately.

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

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.2 Investment in associates (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in an 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 results of associates' in the statement of 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.

2.5.3 Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

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 as they are considered an integral part of the Group's cash management.

2.5.4 Term deposits

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

2.5.5 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b) Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group has no debt instruments at fair value through OCI as at the reporting date.

c) Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5 Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

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

ii) Financial liabilities

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

The Group's financial liabilities include other liabilities, loans and borrowings including bank overdrafts.

All financial liabilities are recognised initially at fair value and, in the case of accounts payable, net of directly attributable transaction costs. Refer to the accounting policy on leases for the initial recognition and measurement of lease liabilities, as this is not in the scope of IFRS 9.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including loans and borrowings)

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost

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

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

Accounts payable and accruals
Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5 Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

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

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

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

2.5.6 Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- Trade and other receivables, including contract assets
- Financial assets measured at amortised cost (credit facilities)

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

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

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

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

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

ii. Impairment of credit facilities
Credit facilities granted by the Group consist of loans and advances. Impairment on credit facilities shall be recognised in the consolidated statement of financial position at an amount equal to the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.6 Impairment of financial assets

ii. Impairment of credit facilities

Provisions for credit losses in accordance with the CBK instructions
The Group is required to calculate provisions for credit losses on credit facilities in accordance with the CBK instructions with respect to credit facilities and the calculation of provisions. Credit facilities are classified as past due when a payment has not been received on its contractual payment date or if the facility is in excess of pre-approved limits. A credit facility is classified as past due and impaired when the interest or a principal instalment is past due for more than 90 days and if the carrying amount of the facility is greater than its estimated recoverable value. Past due and past due and impaired loans are managed and monitored as irregular facilities and are classified into the following four categories which are then used to determine the provisions:

Category	Criteria	Specific provision
Watch list	Irregular for a period up to 90 days	-
Substandard	Irregular for a period of 91- 180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Bad	Irregular for a period exceeding 365 days	100%

The Group may also include a credit facility in one of the above categories based on management’s judgement of a customer’s financial and/or non-financial circumstances.

Minimum general provisions of 1% on cash facilities and 0.5% on non-cash facilities are made on all applicable credit facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

2.5.7 Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

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

2.5.8 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.8 Intangible assets (continued)

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

2.5.9 Property and equipment

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

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. Freehold land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

▸ Buildings	20 years
▸ Office equipment	3-5 years

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

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

2.5.10 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or 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 exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.10 Impairment of non-financial assets (continued)

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.5.11 Employee 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. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

2.5.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss, net of any reimbursement.

2.5.13 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the treasury shares reserve, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.5.14 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 company's law, a distribution is authorised when it is approved by the shareholders at the annual general assembly meeting ("AGM"). 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.

2.5.15 Dividend income

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.16 Taxes

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

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

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

2.5.17 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.

Fee and commission income
The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee 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 for 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.

2.5.18 Interest income and expense
Interest income and expense are recognised in the statement of profit or loss for all interest-bearing financial instruments using the effective interest method. The effective interest method is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

2.5.19 Foreign currencies
The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.19 Foreign currencies (continued)

Transactions and balances (continued)
Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies
On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

2.5.20 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.

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

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

2.5.22 Segment information
A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Parent Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.23 Leases

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

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (2.5.10) Impairment of non-financial assets.

ii) 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 the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (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 to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.5.24 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 consolidated financial statements. The Group will adjust the amounts recognised in its consolidated 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.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

2.5.26 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.

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

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

All assets and liabilities for which the 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; and
- Level 3 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

3 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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.

Going concern
The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements are prepared on a going concern basis.

3.2 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 consolidated 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 associates
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.

3 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 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.

Impairment of financial assets at amortised cost

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

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.

4 NET INVESTMENT (LOSS) INCOME

	2020	*2019*
	KD	*KD*
Realised gain on sale of financial assets at fair value through profit or loss	**390,298**	149,598
Unrealised (loss) gain on financial assets at fair value through profit or loss	**(1,093,064)**	1,181,928
Interest income	**76,837**	154,534
Dividend income	**7,750**	-
	(618,179)	1,486,060

5 EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the (loss) profit for the year attributable to the ordinary equity holders of the Parent Company by the weighted average number of shares outstanding during the year less treasury shares. Diluted EPS is calculated by dividing the (loss) profit attributable to ordinary equity holders of the Parent Company 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 less weighted average number of treasury shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2020	*2019*
(Loss) profit for the year attributable to shareholders of the Parent Company (KD)	**(10,191,234)**	586,493
Weighted average number of shares outstanding*	**584,473,066**	584,473,066
Basic and diluted EPS	**(17.44) fils**	1.00 fils

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements which would require the restatement of EPS.

6 PROPERTY AND EQUIPMENT

	Land *KD*	*Building* *KD*	*Office equipment* *KD*	*Total* *KD*
Cost:				
At 1 January 2019	1,052,750	561,000	458,767	2,072,517
Additions	-	-	19,780	19,780
At 31 December 2019 and 1 January 2020	1,052,750	561,000	478,547	2,092,297
Additions	-	-	5,986	5,986
At 31 December 2020	**1,052,750**	**561,000**	**484,533**	**2,098,283**
Accumulated depreciation:				
At 1 January 2019	-	(561,000)	(422,900)	(983,900)
Depreciation charge for the year	-	-	(17,257)	(17,257)
At 31 December 2019 and 1 January 2020	-	(561,000)	(440,157)	(1,001,157)
Depreciation charge for the year	-	-	(19,848)	(19,848)
At 31 December 2020	**-**	**(561,000)**	**(460,005)**	**(1,021,005)**
Net book value:				
As at 31 December 2020	**1,052,750**	**-**	**24,528**	**1,077,278**
As at 31 December 2019	1,052,750	-	38,390	1,091,140

7 INVESTMENT IN ASSOCIATES

The Group has interests in the following entities classified as associates:

Company	*Country of incorporation*	*Equity interest %*		*Principal activities*	*Carrying amounts*	
		2020	*2019*		***2020*** ***KD***	*2019* *KD*
Rico GmbH	Germany	**23.73**	23.73	Manufacturing	**2,847,424**	2,543,366
Kuwaiti German Holding Company K.S.C. (Closed) ("KGH") *	Kuwait	**23.49**	23.49	Investing activities	**13,562,128**	16,743,524
Weinig International AG ("Weinig")	Germany	**12.37**	12.37	Manufacturing	**13,155,628**	17,105,819
					29,565,180	36,392,709

* During the prior year, the Group lost its representation in the board of directors in these equity accounted investees. The management believes that the Group still has the right to exert significant influence through other means, and accordingly continues to apply the equity method in accounting for these investments. KGH has a direct ownership of 52% in Weinig International AG.

7 INVESTMENT IN ASSOCIATES (continued)

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

Reconciliation to carrying amounts	***2020*** ***KD***	*2019* *KD*
As at 1 January	**36,392,709**	37,769,857
Additions	**-**	13,273
Share of (loss) profit	**(2,697,627)**	28,636
Share of other comprehensive income that may be reclassified to profit or loss in subsequent periods	**1,235,523**	175,740
Share of other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(415,026)**	(669,035)
Dividends	**-**	(507,444)
Impairment losses	**(6,291,915)**	-
Exchange differences	**1,341,516**	(418,318)
As at 31 December	**29,565,180**	36,392,709

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts:

Summarised statement of financial position:

As at 31 December 2020	***Rico GmbH KD***	***KGH KD***	***Weinig KD***	***Total KD***
Current assets	**10,573,859**	**91,869,087**	**87,980,260**	**190,423,206**
Non-current assets	**3,702,976**	**92,820,323**	**72,285,394**	**168,808,693**
Current liabilities	**(1,526,494)**	**(48,511,286)**	**(47,816,390)**	**(97,854,170)**
Non-current liabilities	**(750,482)**	**(77,885,011)**	**(68,602,687)**	**(147,238,180)**
Equity	**11,999,859**	**58,293,113**	**43,846,577**	**114,139,549**
Goodwill	**-**	**2,036,391**	**10,970,860**	**13,007,251**
Impairment losses	**-**	**(2,601,124)**	**(3,690,791)**	**(6,291,915)**
Group's carrying amount of the investment	**2,847,424**	**13,562,128**	**13,155,628**	**29,565,180**

As at 31 December 2019	*Rico GmbH KD*	*KGH KD*	*Weinig KD*	*Total KD*
Current assets	9,399,784	74,675,092	70,749,311	154,824,187
Non-current assets	4,664,703	87,163,654	66,288,609	158,116,966
Current liabilities	(1,429,106)	(40,322,003)	(39,610,233)	(81,361,342)
Non-current liabilities	(1,916,903)	(58,914,547)	(39,958,960)	(100,790,410)
Equity	10,718,478	62,602,196	57,468,727	130,789,401
Goodwill	-	2,036,391	9,996,075	12,032,466
Group's carrying amount of the investment	2,543,366	16,743,524	17,105,819	36,392,709

7 INVESTMENT IN ASSOCIATES (continued)

Summarised statement of profit or loss and other comprehensive income:

For the year ended 31 December 2020	***Rico GmbH KD***	***KGH KD***	***Weinig KD***	***Total KD***
Revenue	**9,934,626**	**134,168,616**	**132,382,382**	**276,485,624**
Profit (loss)	**458,015**	**(13,342,950)**	**(12,796,849)**	**(25,681,784)**
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods	**-**	**8,411,416**	**(559,898)**	**7,851,518**
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**-**	**(1,687,782)**	**(1,687,782)**	**(3,375,564)**
Total comprehensive income (loss)	**458,015**	**(6,619,316)**	**(15,044,529)**	**(21,205,830)**
Group’s share of profit (loss) for the year	**59,239**	**(1,630,310)**	**(1,126,556)**	**(2,697,627)**
Group’s share of other comprehensive income	**1,469**	**(231,010)**	**1,050,038**	**820,497**
Group’s share of total comprehensive income	**60,708**	**(1,861,320)**	**(76,518)**	**(1,877,130)**

For the year ended 31 December 2019	*Rico GmbH KD*	*KGH KD*	*Weinig KD*	*Total KD*
Revenue	13,097,524	159,970,942	158,612,894	331,681,360
Profit (loss)	503,579	(2,466,535)	2,152,798	189,842
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	-	(4,116,027)	211,813	(3,904,214)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	-	(2,436,648)	(2,436,648)	(4,873,296)
Total comprehensive income (loss)	503,579	(9,019,210)	(72,037)	(8,587,668)
Group’s share of profit (loss) for the year	120,818	(358,708)	266,526	28,636
Group’s share of other comprehensive income	(33,938)	(361,624)	(97,733)	(493,295)
Group’s share of total comprehensive income	86,880	(720,332)	168,793	(464,659)

With the recent developments of the coronavirus (COVID-19) outbreak, there are both external and internal sources of information, such as the sharp decline in sales and profitability in the current year because of the ongoing COVID-19 pandemic, as well as the ongoing macroeconomic uncertainties, which could negatively affect future sales and lead to lower demand of wood and wood products hence triggering the need to perform an impairment test. Accordingly, the Group concluded that the associates should be tested for impairment as a single cash-generating unit.

7 INVESTMENT IN ASSOCIATES (continued)

Impairment assessment of Weinig and KGH

Management considered the performance outlook and business operations of the CGUs to determine whether the carrying amount does not exceed the recoverable amount.

The recoverable amount has been determined based on a value in use calculation using the cash flow projections from financial budgets approved by senior management covering a five-year period. The projected cash flows have been updated to reflect the decreased demand for products and services in the wood industry post coronavirus pandemic

The pre-tax discount rate (before growth allowance) applied to cash flow projections is 8.3% and cash flows beyond the five-year period are extrapolated using a 1% growth rate. Management believes that the growth rate is justified and is inline with the long-term average growth rate for the product lines and industries of the segments and takes into account a sustainable and annually anticipated average level of future financial surpluses.

As a result of the analysis, the recoverable amount of the respective CGUs subject to impairment testing based on value in use as at 31 December 2020 was estimated to be lower than the carrying value of the associates as of that date and, accordingly, the Group recognised an impairment charge against its investment in Weinig and KGH amounting to KD 3,690,791 and KD 2,601,124 respectively in the current year largely as a result of the negative economic outlook related to the consequences of the coronavirus pandemic. The impairment charge is included as a separate line item in the statement of profit or loss for the year then ended.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions.

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period.

Sensitivity to changes in assumptions

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the associate to exceed its recoverable amount. These are summarised below:

- A decline in the annual revenue growth rate during the forecast period by 5% would result in a further impairment by KD 5,502,893.
- A rise in the discount rate to 1% would result in a further impairment of KD 2,971,570.
- A reduction in the long-term growth rate to -0.5% would result in a further impairment of KD 1,590,122.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

8 INVESTMENT SECURITIES

	2020 ***KD***	*2019* *KD*
Non-current		
Open-ended mutual funds at FVTPL	**6,891,558**	7,721,747
Private equity funds at FVTPL	**3,176,271**	3,610,937
Unquoted equity securities at FVTPL	**7,545**	8,245
	10,075,374	11,340,929
Unquoted equity securities at FVOCI	**427,452**	545,754
Current		
Quoted equity securities at FVTPL	**512,710**	-

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 18.

9 OTHER ASSETS

	2020	*2019*
	KD	*KD*
Non-current		
Promissory notes (Note 14)	**1,791,589**	1,634,598
Other receivables, net	**86,702**	402,112
	1,878,291	2,036,710
Current		
Advances and prepayments	**50,900**	14,424
Accrued income	**119,715**	308,563
Other receivables, net	**258,786**	156,328
	429,401	479,315
	2,307,692	2,516,025

As at 31 December 2020, the Group's other receivables are net of an allowance for expected credit losses of KD 250,469 (2019: KD Nil).

The net carrying value of accounts receivable is considered a reasonable approximation of fair value. Other classes within other receivables do not contain impaired assets.

Note 19.1 includes disclosures relating to the credit risk exposures the Group's other receivables.

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

10 CASH AND CASH EQUIVALENTS

	2020	*2019*
	KD	*KD*
Short-term deposits	**3,265,614**	3,837,063
Cash at banks and on hand	**1,016,849**	689,554
	4,282,463	4,526,617

Short-term deposits are made for varying periods between one and three months, depending on the immediate cash requirements of the Group, and earn interest at an average rate of 1.59% per annum (2019: of 2.75% per annum).

11 SHARE CAPITAL AND RESERVES

11.1 Share capital

The authorised, issued and paid-up capital of the Parent Company is KD 62,529,315 (2019: KD 62,529,315) that consists of 625,293,152 shares (2019: 625,293,152 shares) of 100 fils per share, which are fully paid in cash.

11.2 Statutory reserve

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

No transfer has been made to the statutory reserve during the year since the Parent Company has incurred losses.

11 SHARE CAPITAL AND RESERVES

11.3 Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before KFAS, NLST and Zakat 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.

No transfer has been made to the voluntary reserve during the year since the Parent Company has incurred losses.

11.4 Treasury shares and treasury shares reserve

	2020	*2019*
Number of treasury shares	**40,820,086**	40,820,086
Percentage of total outstanding shares (%)	**6.53%**	6.53%
Market value (KD)	**1,979,774**	1,632,803
Cost (KD)	**4,775,819**	4,755,819
Weighted average market value per share (fils)	**36**	35

Reserves equivalent to the cost of purchase of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

11.5 Other reserve

This reserve represents effects of changes in other comprehensive income of associates.

11.6 Foreign currency translation reserve

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

11.7 Fair value reserve

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI. These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

11.8 Distributions made and proposed

The Board of Directors proposed not to distribute cash dividends or bonus shares for the year ended 31 December 2020 (2019: Nil). This proposal is subject to approval of the Parent Company's shareholders in the AGM.

12 EMPLOYEES' END OF SERVICE BENEFITS

Set out below is the movement in the provision for employees' end of service benefits:

	2020	*2019*
	KD	*KD*
As at 1 January	**292,672**	238,455
Charge for the year	**64,944**	62,030
Payments during the year	**(50,925)**	(7,813)
As at 31 December	**306,691**	292,672

13 OTHER LIABILITIES

	2020	*2019*
	KD	*KD*
Dividends payable	**202,492**	202,492
Taxes payable	**690,188**	783,889
Other liabilities	**224,888**	162,520
	1,117,568	1,148,901

14 RELATED PARTY DISCLOSURES

These represent transactions with related parties, i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Parent Company's management.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	Associates	*Others*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Consolidated statement of financial position				
Promissory notes *	1,791,589	-	**1,791,589**	1,634,598
Accrued management fees	-	105,424	**105,424**	126,463
Investment in managed fund (Note 8)	-	6,891,558	**6,891,558**	7,721,747

* Promissory notes represent a financing arrangement to an associate for the purpose of financing its operations and earn interest at 1.10% (2019: 1.15%) above 3-months EURIBOR, per annum.

Terms and conditions of transactions with related parties
The transactions with related parties are made on terms equivalent to those that prevail in the market. Outstanding balances are due for settlement at any given time to the holder against the presentation of the promissory note. There have been no guarantees provided or received for any related party receivables or payables. During the period ended 31 December 2020, the Group has not recorded any provisions for expected credit losses relating to amounts owed by related parties as management considered the instrument to have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. This assessment is undertaken at each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

	Associates	*Others*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Consolidated statement of profit or loss				
Management fees (income)	-	546,418	**546,418**	494,402
Interest income	18,551	-	**18,551**	19,550
Net investment (loss) income from managed fund	-	(830,189)	**(830,189)**	1,378,752

Transactions with key management personnel
Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees.

14 RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel (continued)
The aggregate value of transactions and outstanding balances related to key management personnel were, as follows:

	Transactions values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2020	*2019*	***2020***	*2019*
	KD	*KD*	***KD***	*KD*
Key management personnel compensation				
Salaries and other short-term benefits	**302,981**	255,094	**82,835**	59,865
End of service benefits	**21,700**	18,200	**79,909**	57,993
	324,681	273,294	**162,744**	117,858

15 FIDUCIARY ASSETS

The Group manages a number of investments in a fiduciary capacity. As at 31 December 2020, portfolio and funds under management amounted to KD 93,677,974 (2019: KD 64,204,700).

These funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. Accordingly, the assets of these funds are not included in the consolidated financial statements.

Income earned from fiduciary assets amounted to KD 591,649 (2019: KD 540,984).

16 COMMITMENTS AND CONTINGENT LIABILITIES

16.1 Commitments
At the reporting date, the Group had commitments of KD 143,028 (2019: KD 200,607) in respect of uncalled capital in certain private equity funds classified as financial assets at fair value through profit or loss.

16.2 Contingent liabilities
The Group had no contingent liabilities as at 31 December 2020 and 2019.

17 SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services; class of customers and marketing strategies of these segments are different.

The Group is primarily engaged in investment activities, the following tables present information regarding the Group's geographical segments:

	31 December 2020			
	Kuwait and GCC KD	***Europe KD***	***USA KD***	***Total KD***
Total income (loss)	**(1,367,105)**	**(1,007,504)**	**(152,104)**	**(2,526,713)**
Depreciation expense	**(19,848)**	**-**	**-**	**(19,848)**
Share of results of associates	**(1,630,310)**	**(1,067,317)**	**-**	**(2,697,627)**
Impairment of investment in associates	**(2,601,124)**	**(3,690,791)**	**-**	**(6,291,915)**
Loss for the year	**(5,338,852)**	**(4,698,295)**	**(154,087)**	**(10,191,234)**

17 SEGMENT INFORMATION (continued)

	31 December 2020			
	Kuwait and GCC KD	***Europe KD***	***USA KD***	***Total KD***
Total assets	**27,257,423**	**20,847,311**	**295,040**	**48,399,774**
Total liabilities	**1,420,766**	**-**	**3,493**	**1,424,259**
Other disclosures				
Investment in associates	**13,562,128**	**16,003,052**	**-**	**29,565,180**

	31 December 2019			
	Kuwait and GCC KD	*Europe KD*	*USA KD*	*Total KD*
Total revenue	1,282,745	477,376	213,133	1,973,254
Depreciation	(17,257)	-	-	(17,257)
Share of results of associates	(358,708)	387,344	-	28,636
Profit (loss) for the year	(102,658)	477,376	211,775	586,493
Total assets	31,497,235	24,493,555	573,909	56,564,699
Total liabilities	1,438,083	-	3,490	1,441,573
Other disclosures				
Investment in associates	16,743,524	19,649,185	-	36,392,709

18 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 by the Group.

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

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

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

18 FAIR VALUE MEASUREMENT

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

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

For 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 and investment property.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted equity investments. Involvement of external valuers is decided upon annually by the senior management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

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

The management assessed that the fair values of cash and short-term deposits, accounts receivable and other current liabilities approximate their carrying amounts as these are either of short-term maturity (no longer than twelve months) or re-priced immediately based on market movement in interest rates. For amounts due from (to) related parties that have no specified repayment dates and that are receivable (payable) on demand, management assessed that the fair value is not less than their face value.

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

Listed investment in equity securities
Fair values of publicly traded equity 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 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 multiple is calculated by dividing the market value of the comparable company by its book value. The market value of a company is its share price multiplied by the number of outstanding shares. The book value is the net assets of a company. 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. If management determines that market-based valuation techniques are deemed unreflective and a significant underlying value of the investee is within its assets, management alternatively uses adjusted net assets value ("NAV"). The discounted multiple is applied to the corresponding capital measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

18 FAIR VALUE MEASUREMENT

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 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.

Investment properties
The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 'Fair Value Measurement' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment property is included within Level 3.

Fair value hierarchy

18.1 Financial instruments
The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

		Fair value measurement using		
31 December 2020	***Total KD***	***Quoted prices in active markets (Level 1) KD***	***Significant observable inputs (Level 2) KD***	***Significant unobservable inputs (Level 3) KD***
Financial assets at FVTPL:				
Open-ended fund	**6,891,558**	**-**	**6,891,558**	**-**
Private equity funds	**3,176,271**	**-**	**-**	**3,176,271**
Quoted equity securities	**512,710**	**512,710**	**-**	**-**
Unquoted equity securities	**7,545**	**-**	**-**	**7,545**
	10,588,084	**512,710**	**6,891,558**	**3,183,816**
Financial assets at FVOCI:				
Unquoted equity securities	**427,452**	**-**	**-**	**427,452**
Investment securities (at fair value)	**11,015,536**	**512,710**	**6,891,558**	**3,611,268**

18 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy (continued)

18.1 Financial instruments (continued)

		Fair value measurement using		
31 December 2019	*Total KD*	*Quoted prices in active markets (Level 1) KD*	*Significant observable inputs (Level 2) KD*	*Significant unobservable inputs (Level 3) KD*
Financial assets at FVTPL:				
Open-ended fund	7,721,747	-	7,721,747	-
Private equity funds	3,610,937	-	-	3,610,937
Unquoted equity securities	8,245	-	-	8,245
	11,340,929	-	7,721,747	3,619,182
Financial assets at FVOCI:				
Unquoted equity securities	545,754	-	-	545,754
Investment securities (at fair value)	11,886,683	-	7,721,747	4,164,936

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	***Financial assets at FVOCI KD***	***Financial assets at FVTPL KD***	***Total KD***
As at 1 January 2020	**545,754**	**3,619,182**	**4,164,936**
Remeasurement recognised in OCI	**(118,302)**	**-**	**(118,302)**
Remeasurement recognised in profit or loss	**-**	**(184,445)**	**(184,445)**
Purchases	**-**	**69,970**	**69,970**
Sales	**-**	**(320,891)**	**(320,891)**
As at 31 December 2020	**427,452**	**3,183,816**	**3,611,268**

2019	*Financial assets at FVOCI KD*	*Financial assets at FVTPL KD*	*Total KD*
As at 1 January 2019	1,130,639	5,062,704	6,193,343
Remeasurement recognised in OCI	(584,885)	-	(584,885)
Remeasurement recognised in profit or loss	-	(450,723)	(450,723)
Purchases	-	373,343	373,343
Sales	-	(1,366,142)	(1,366,142)
As at 31 December 2019	545,754	3,619,182	4,164,936

18 FAIR VALUE MEASUREMENT (continued)

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)	20% - 30% (2019: 20% - 30%)	10% (2019: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 61,064 (2019: KD 77,966)

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.

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

		Fair value measurement using		
	Total ***KD***	***Quoted prices in active markets (Level 1)*** ***KD***	***Significant observable inputs (Level 2)*** ***KD***	***Significant unobservable inputs (Level 3)*** ***KD***
31 December 2020				
Investment property	**151,625**	**-**	**-**	**151,625**
31 December 2019				
Investment property	151,525	-	-	151,525

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

Reconciliation of Level 3 fair values
Reconciliation for fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy mainly represents remeasurement adjustments during the year.

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 is the price per sqm adjusted to reflect unfavourable market conditions.

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

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets include financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, cash and cash equivalents and other assets that derive directly from its operations. The Group's principal financial liabilities comprise of other liabilities which arise from the Group's operations in normal course of the business. The Group also holds investments in equity and debt instruments.

The Group is exposed to credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk, and equity price risk) and operational risk. The Group's senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.1 Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily promissory notes issued to associates) and from its financing activities including deposits with banks and financial institutions, and other financial instruments. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or Group of customers in specific locations or business through diversification of operating activities.

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

	2020	*2019*
	KD	*KD*
Cash and cash equivalents	**4,282,463**	4,526,617
Other receivables (included within other assets)	**465,204**	867,003
Promissory notes (included within other assets)	**1,791,589**	1,634,598
	6,539,256	7,028,218

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.

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

Promissory notes and other receivables
The Group performs an impairment analysis on its promissory notes and other receivables at each reporting date based on general approach given in IFRS 9, to measure expected credit losses (ECLs). The Group regularly monitors the receivables in order to determine whether these are subject to 12 months ECL or lifetime ECL.

This is based on Group's assessment whether there has been a significant increase in credit risk since initial recognition of these instruments. The Group estimates the elements of ECL (i.e. probability of default, loss given default and exposure at default) using appropriate credit risk assumptions with relevant forward-looking adjustments. The Group adjusts the profitability of default with relevant forward-looking adjustments relating to the forecast market conditions that could impact the extent of defaults by the counterparties.

For the year ended 31 December 2020, the Group recognised provision for expected credit losses of KD 250,469 (2019: Nil) relating to other receivables.

19.2 Liquidity risk
Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain adequate level of cash and cash equivalents and other highly marketable investments.

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.2 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

31 December 2020	***Less than 3 months KD***	***3 to 12 months KD***	***>1 year KD***	***Total KD***
Other liabilities	**45,640**	**1,071,928**	**-**	**1,117,568**

31 December 2019	*Less than 3 months KD*	*3 to 12 months KD*	*>1 year KD*	*Total KD*
Other liabilities	19,507	1,129,394	-	1,148,901

As at the reporting date, all financial liabilities of the Group shown in the consolidated statement of financial position are non-derivative and have a maturity of twelve months or less.

19.3 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 equity securities.

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

19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the underlying financial instruments. The Group's exposure to the risk of changes in market interest rates is limited, as most of its interest-bearing assets and liabilities yield interest at commercial rates and reprice in the short term, no longer than twelve months.

19.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group 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) and the Group's net investments in foreign subsidiaries. The Group operates in the Kuwait, other Middle Eastern countries, Europe and the Unites States and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Euro and US Dollar.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimise fluctuations in accordance with the Group's risks management policies.

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.

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.3 Market risk (continued)

The Group has no material exposure to foreign currency exchange on monetary financial liabilities. The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets at the reporting date:

	Liabilities		*Assets*	
	2020	*2019*	***2020***	*2019*
Currency	***KD***	*KD*	***KD***	*KD*
Euro	**2,087**	1,351	**4,439,724**	4,679,575
US Dollar (USD)	**3,493**	3,490	**912,294**	1,756,919

Further, the Group's exposure to foreign currency changes for all other currencies is not material to the consolidated financial statements.

Foreign exchange rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Euro and USD exchange rates against the KD, with all other variables held constant. The impact on the Group's profit is due to changes in monetary assets and liabilities.

		2020	*2019*
Currency	***Change in exchange rate***	***Effect on profit or loss KD***	*Effect on profit or loss KD*
Euro	+**5 %**	**221,882**	233,911
USD	+**5 %**	**45,440**	87,671

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.

19.3.3 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at FVOCI or FVTPL (Note 8). 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 Group's senior management on a regular basis.

At the reporting date, the exposure to unlisted equity investments at fair value was KD 434,966. Sensitivity analyses of these investments have been provided in Note 18.

At the reporting date, the Group holds units in an unlisted open-ended fund which only invests in quoted securities. The exposure to this fund was KD 6,891,588. Given that the changes in fair values of the units held in the fund are strongly positively correlated with changes of the Kuwait Stock Exchange ("KSE") market index, the Group has determined that an increase/(decrease) of 10% on the KSE index could have an impact of approximately KD 526,793 increase/(decrease) on the income and equity attributable to the Group.

19.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit and practical application of technology.

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

19.4 Operational risk (continued)

The recent and rapid development of the coronavirus outbreak across the world have required entities to limit or suspend business operations, implement travel restrictions and quarantine measures that have significantly disrupted (or are expected to disrupt) its activities. In an attempt to manage such events, the Group implements its contingency plans which include preventive safety measures, compliance with legal and regulatory guidelines and instructions, and maximise the use of technology and resources management to meet the day-to-day operational requirements that are required for continuity of the business.

20 CAPITAL MANAGEMENT

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern, and
- to provide an adequate return to shareholders by pricing products and services in a way that reflects the level of risk involved in providing those goods and services.

The Group monitors capital on the basis of the carrying amount of equity, less cash and cash equivalents as presented in the consolidated statement of financial position.

The Group is not subject to externally imposed capital requirements.

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

21 IMPACT OF COVID-19 OUTBREAK

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 ongoing COVID-19 pandemic 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 with a diversified investment portfolio spanning across different geographical regions. 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 the pandemic.

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.

The macroeconomic uncertainties caused by the COVID-19 pandemic required the Group to update the estimates and assumptions used for the:

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

21 IMPACT OF COVID-19 OUTBREAK (continued)

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.

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