# AMWAL INTERNATIONAL INVESTMENT COMPANY K.S.C.P AND ITS SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS

## 31 DECEMBER 2020

AMWAL أمـــــــوال

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# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AMWAL INTERNATIONAL INVESTMENT COMPANY K.S.C.P

## Report on the Audit of Consolidated Financial Statements

### *Opinion*

We have audited the consolidated financial statements of Amwal International Investment 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 consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

### *Basis for Opinion*

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

### *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.

As at 31 December 2020

| | Notes | *2020* *KD* | *2019* *KD* |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term deposits | 4 | **7,329,185** | 2,161,692 |
| Other assets | 5 | **3,623,380** | 787,209 |
| Investment securities | 7 | **7,570,374** | 8,310,164 |
| Investment property | 8 | **2,500,000** | - |
| Intangible asset | 9 | **8,600,000** | 8,600,000 |
| Furniture and equipment | 10 | **236,896** | 322,588 |
| **TOTAL ASSETS** | | **29,859,835** | 20,181,653 |
| **LIABILITIES AND EQUITY** | | | |
| **Liabilities** | | | |
| Accounts payable and other liabilities | 11 | **5,211,839** | 2,219,981 |
| **Total liabilities** | | **5,211,839** | 2,219,981 |
| **Equity** | | | |
| Share capital | 12 | **26,381,499** | 26,381,499 |
| Treasury shares | 13 | **(541,759)** | (536,114) |
| Treasury shares reserve | 13 | **1,576,307** | 1,576,307 |
| Fair value reserve | | **(64,026)** | (11,093) |
| Other reserve | 1.2 | **737,078** | - |
| Accumulated losses | | **(3,559,787)** | (11,312,589) |
| **Equity attributable to equity holders of the Parent Company** | | **24,529,312** | 16,098,010 |
| Non-controlling interests | | **118,684** | 1,863,662 |
| **Total equity** | | **24,647,996** | 17,961,672 |
| **TOTAL LIABILITIES AND EQUITY** | | **29,859,835** | 20,181,653 |

The attached notes 1 to 27 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

| | Notes | *2020* *KD* | *2019* *KD* |
|---|---|---|---|
| **Income** | | | |
| Management fees | | **1,424,400** | 1,490,237 |
| Commission income | | **1,844,157** | 1,233,701 |
| Net (loss) gain on investments at FVTPL | | **(1,541,373)** | 783,824 |
| Dividend income | | **19,003** | 144,902 |
| Net foreign exchange differences | | **104,297** | 136 |
| Interest income | | **12,216** | 66,086 |
| Gain on recognition of investment property | 8 | **9,000,000** | - |
| Other income | | **980** | 1,886 |
| **Net operating income** | | **10,863,680** | 3,720,772 |
| **Expenses** | | | |
| General and administrative expenses | 16 | **(2,774,228)** | (2,857,395) |
| Finance costs | | **-** | (53,466) |
| **Total operating expenses** | | **(2,774,228)** | (2,910,861) |
| **Profit before tax and directors' remuneration** | | **8,089,452** | 809,911 |
| National Labour Support Tax ("NLST") | | **(222,893)** | (24,486) |
| Zakat | | **(86,697)** | (3,205) |
| Contribution to Kuwait Foundation for Advancement of Sciences ("KFAS") | | **(3,925)** | - |
| Directors' remuneration | | **(24,000)** | (12,000) |
| **PROFIT FOR THE YEAR** | | **7,751,937** | 770,220 |
| **Attributable to:** | | | |
| Equity holders of the Parent Company | | **7,863,578** | 655,418 |
| Non-controlling interests | | **(111,641)** | 114,802 |
| | | **7,751,937** | 770,220 |
| **BASIC AND DILUTED EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY** | 17 | **30.0 fils** | 2.5 fils |

The attached notes 1 to 27 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| **PROFIT FOR THE YEAR** | **7,751,937** | 770,220 |
| **Other comprehensive (loss) income** | | |
| *Other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods:* | | |
| Net (loss) gain on investments at FVOCI | **(168,170)** | 81,372 |
| **Other comprehensive (loss) income for the year** | **(168,170)** | 81,372 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **7,583,767** | 851,592 |
| **Attributable to:** | | |
| Equity of holders of the Parent Company | **7,699,869** | 731,058 |
| Non-controlling interests | **(116,102)** | 120,534 |
| | **7,583,767** | 851,592 |

The attached notes 1 to 27 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*** | ***Treasury shares KD*** | ***Treasury shares reserve KD*** | ***Fair value reserve KD*** | ***Other reserve KD*** | ***Accumulated losses KD*** | ***Total KD*** | ***Non-controlling interests KD*** | ***Total equity KD*** |
| As at 1 January 2020 | 26,381,499 | (536,114) | 1,576,307 | (11,093) | - | (11,312,589) | 16,098,010 | 1,863,662 | 17,961,672 |
| Profit (loss) for the year | - | - | - | - | - | 7,863,578 | 7,863,578 | (111,641) | 7,751,937 |
| Other comprehensive loss for the year | - | - | - | (163,709) | - | - | (163,709) | (4,461) | (168,170) |
| Total comprehensive (loss) income for the year | - | - | - | (163,709) | - | 7,863,578 | 7,699,869 | (116,102) | 7,583,767 |
| Transfer of fair value reserve on derecognition of equity instruments designated at FVOCI | - | - | - | 110,776 | - | (110,776) | - | - | - |
| Purchase of treasury shares | - | (5,645) | - | - | - | - | (5,645) | - | (5,645) |
| Acquisition of NCI without a change in control (Note 1.2) | - | - | - | - | 737,078 | - | 737,078 | (1,235,828) | (498,750) |
| Net movement in non-controlling interests (Note 1.2) | - | - | - | - | - | - | - | (393,048) | (393,048) |
| **At 31 December 2020** | **26,381,499** | **(541,759)** | **1,576,307** | **(64,026)** | **737,078** | **(3,559,787)** | **24,529,312** | **118,684** | **24,647,996** |
| As at 1 January 2019 | 26,381,499 | (1,212,906) | 2,042,260 | (46,103) | - | (12,008,637) | 15,156,113 | 1,743,128 | 16,899,241 |
| Profit for the year | - | - | - | - | - | 655,418 | 655,418 | 114,802 | 770,220 |
| Other comprehensive income for the year | - | - | - | 75,640 | - | - | 75,640 | 5,732 | 81,372 |
| Total comprehensive income for the year | - | - | - | 75,640 | - | 655,418 | 731,058 | 120,534 | 851,592 |
| Transfer of fair value reserve on derecognition of equity instruments designated at FVOCI | - | - | - | (40,630) | - | 40,630 | - | - | - |
| Sale of treasury shares | - | 676,792 | (465,953) | - | - | - | 210,839 | - | 210,839 |
| At 31 December 2019 | 26,381,499 | (536,114) | 1,576,307 | (11,093) | - | (11,312,589) | 16,098,010 | 1,863,662 | 17,961,672 |

The attached notes 1 to 27 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | Notes | *2020* *KD* | *2019* *KD* |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before tax and after directors' remuneration | | **8,065,452** | 797,911 |
| *Adjustments to reconcile profit for the year to net cash flows:* | | | |
| Depreciation of furniture and equipment | 10 | **150,854** | 175,725 |
| Dividend income from investments at FVOCI | | **(5,040)** | (4,800) |
| Interest income | | **(12,216)** | (66,086) |
| Realised loss (gain) from sale of investments at FVTPL | | **513,658** | (325,667) |
| Unrealised loss (gain) on investments at FVTPL | | **1,027,715** | (458,157) |
| Finance costs | | **-** | 53,466 |
| Provision for employees' end of service benefits | | **44,901** | 118,888 |
| Gain on recognition of investment property | 8 | **(9,000,000)** | - |
| | | **785,324** | 291,280 |
| *Changes in operating assets and liabilities:* | | | |
| Investments at FVTPL | | **(1,085,537)** | 25,474 |
| Other assets | | **(2,837,952)** | (149,159) |
| Accounts payable and other liabilities | | **2,837,991** | (26,482) |
| Interest income received | | **13,998** | 75,613 |
| Taxes paid | | **(57,490)** | (7,915) |
| Employees' end of service benefits paid | | **(78,228)** | (47,640) |
| **Net cash flows (used in) from operating activities** | | **(421,894)** | 161,171 |
| **INVESTING ACTIVITIES** | | | |
| Term deposits | | **(854,750)** | - |
| Purchase of furniture and equipment, net of disposal | 10 | **(65,162)** | (88,730) |
| Proceeds from sale of investment property | 8 | **9,000,000** | - |
| Purchase of investment property | | **(2,500,000)** | - |
| Proceeds from sale of investments at FVOCI - net | | **46,952** | 323,826 |
| Dividend income received from investments at FVOCI | | **5,040** | 4,800 |
| **Net cash flows from investing activities** | | **5,632,080** | 239,896 |
| **FINANCING ACTIVITIES** | | | |
| Repayment of term loan | | **-** | (2,456,300) |
| Acquisition of non-controlling interest in a subsidiary | 1.2 | **(498,750)** | - |
| Redemption to non-controlling interest in a subsidiary | 1.2 | **(393,048)** | - |
| Finance costs paid | | **-** | (68,773) |
| Proceeds from sale of treasury shares | | **-** | 210,839 |
| Purchase of treasury shares | | **(5,645)** | - |
| **Net cash flows used in financing activities** | | **(897,443)** | (2,314,234) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **4,312,743** | (1,913,167) |
| Cash and cash equivalents at 1 January | | **2,106,692** | 4,019,859 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 4 | **6,419,435** | 2,106,692 |

The attached notes 1 to 27 form part of these consolidated financial statements.

## 1. CORPORATE AND GROUP INFORMATION

### 1.1 CORPORATE INFORMATION

The consolidated financial statements of Amwal International Investment Company K.S.C.P (“the Parent Company”) and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the board of directors on 31 March 2021, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

The shareholders of the Parent Company at the annual general assembly meeting (“AGM”) held on 18 June 2020 approved the consolidated financial statements for the year ended 31 December 2019. No dividends were declared by the Patent Company for the year then ended.

The Parent Company is a public shareholding company incorporated on 1 January 1984 and domiciled in Kuwait and whose shares are publicly traded on Boursa Kuwait. The Parent Company is regulated by the Central Bank of Kuwait (CBK) and Capital Markets Authority (CMA) as a finance and investment company.

In accordance with the Parent Company's Memorandum and Articles of Associations the principal activities of the Parent Company comprise the following:

- Carrying out financial investment activities in various economic sectors inside and outside the State of Kuwait directly or by contributing to the existing companies in the same activities through establishing subsidiaries or by participating with others in the establishment of specialised companies or by buying shares of these companies;
- Managing portfolios, investing and developing funds for its own account or for clients locally and internationally, trading of securities, issuance and managing securities, issuance of various types of bonds to third parties or otherwise, to exercise all types of brokerage activities, to do financing locally and internationally, acceptance and management of credit contracts,
- Conducting studies, research and providing financial advices,
- Providing market maker services.

The Parent Company is a subsidiary of Al-Thekair General Trading & Contracting Company S.P.C. (referred to therein as the “major shareholder” or the “Ultimate Parent Company”).

The head office of the Parent Company is located at Al-Merqab, Block 1, Al-Soor Street, Jassim Tower, Floor 15 and its registered postal address is P.O. Box 819, Safat 13009, Kuwait City, Kuwait.

### 1.2 GROUP INFORMATION

The consolidated financial statements of the Group include:

| Name | *Country of incorporation* | *% equity interest* *2020* | *2019* | Principal activities |
|---|---|---|---|---|
| Al Awsat Aloula Holding Company K.S.C. (Closed)* | Kuwait | **99.9%** | 99.9% | Investment |
| Gulf Gate Fund (the “Fund”) ** | Kuwait | **94.2%** | 73.6% | Managed fund |
| Middle East Financial Brokerage Company K.S.C. (Closed) (“MEFBC”) *** | Kuwait | **100.0%** | 90.0% | Brokerage |

* Residual interests in the subsidiary are held by nominees on behalf of the Group, and there are letters of renunciation in favour of the Group confirming that the Group is the beneficial owner of such shares.

** During the current year, the Fund redeemed shares held by non-controlling interests amounting to KD 393,048. As a result, the non-controlling interests have been adjusted to reflect the relative changes in the Fund.

## 1. CORPORATE AND GROUP INFORMATION (continued)

### 1.2 GROUP INFORMATION (continued)

**Subsidiaries**

*** During the current year, the Parent Company acquired an additional 10% interest in MEFBC for a total consideration of KD 498,750 increasing its ownership from 90% to 100%. The carrying amount of MEFBC's net assets in the Group's consolidated financial statements on the date of the acquisition was KD 1,235,828.

| | ***KD*** |
|---|---|
| Carrying amount of NCI acquired KD 12,358,280 x 10%) | 1,235,828 |
| Consideration paid to NCI | (498,750) |
| **An increase in equity attributable to the equity holders of the Parent Company** | 737,078 |

Transactions that result in changes in ownership interests while retaining control are accounted for as transactions with equity holders in their capacity as equity holders. As a result, no gain or loss on such changes is recognised in profit or loss but recognised directly within a separate category of equity "other reserve" and attributed to the equity holders of the Parent Company.

***Events after the reporting date***
Subsequent to the reporting date, the Parent Company incorporated KMEFIC for Renting and Leasing Cars W.L.L. with direct ownership 99%, a limited liability company incorporated and domiciled in the State of Kuwait.

## 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 property which have been measured at fair value.

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

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

#### 2.2.1 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.

#### 2.2.2 New standards, interpretations and amendments adopted by the Group

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 nature and effect of the changes as a result of adoption of these new accounting standards are described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

**Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3, *Business Combinations*, clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it 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 years 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.

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

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

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

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

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

#### 2.2.2 New standards, interpretations and amendments adopted by 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 STANDARDS ISSUED BUT NOT EFFECTIVE

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

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

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

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

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

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

**2.3 STANDARDS ISSUED BUT NOT EFFECTIVE**

**Reference to the Conceptual Framework – *Amendments to IFRS 3 (continued)***
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 Group is currently assessing the impact the amendments will have on the consolidated financial statements.

**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 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's consolidated financial statements.

**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 between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.4.1 Basis of consolidation**
The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. 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.

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

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.4.1 Basis of consolidation (continued)

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

#### 2.4.2 Business combinations and acquisition of non-controlling interests

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

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

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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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

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.

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, cash at banks, and term deposits with original maturity of three months or less, as they are considered an integral part of the Group’s cash management.

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

**2.4.5 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 other assets 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. Other assets 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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.5 Financial instruments – initial recognition and subsequent measurement (continued)**

***i) Financial assets (continued)***

**Initial recognition and initial measurement (continued)**
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 settlement date, i.e., the date that the Group receives or delivers the asset.

**Subsequent measurement**
For purposes of subsequent measurement, financial assets are classified in three 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.

The Group's financial assets at amortised cost include cash and short-term deposits and certain other assets.

***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's investments does not include any debt instruments at fair value through OCI.

***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 income in the 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.

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4.5 Financial instruments – initial recognition and subsequent measurement (continued)

***i) Financial assets (continued)***

**Subsequent measurement (continued)**

***d) Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the 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 and investment in funds. Net gains and losses, including any 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

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.

**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
- Other 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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.5 Financial instruments – initial recognition and subsequent measurement (continued)**

***i) Financial assets (continued)***

**Impairment of financial assets (continued)**

***i) Impairment of financial assets other than credit facilities (continued)***

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).

***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.

**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.

***ii) Financial liabilities***

**Initial recognition and measurement**

The Group's financial liabilities include trade and other payables.

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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.5 Financial instruments – initial recognition and subsequent measurement (continued)**

***ii) Financial liabilities (continued)***

**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 term loan 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 statement of profit or loss.

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

**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.

**2.4.6 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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**2.4.7 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. 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 statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset 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 upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

**2.4.8 Furniture and equipment**
Furniture and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the furniture and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

| | |
|---|---|
| ► Furniture and equipment | 4 - 5 years |
| ► Computer devices | 4 years |
| ► Computer software | 7 - 10 years |
| ► Motor vehicles | 4 years |

An item of furniture 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 statement of profit or loss when the asset is derecognised.

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

Depreciation of these assets commences when the assets are ready for their intended use.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.9 Impairment of non-financials 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.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

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 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.

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.

**2.4.10 Employees end of service benefits**

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.11 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.

**2.4.12 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 the equity. When the treasury shares are reissued, gains are credited to a separate account in equity, "treasury shares reserve", which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of stock dividend increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

**2.4.13 Taxes**

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

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

*National Labour Support Tax (NLST)*

NLST is calculated at 2.5% of the profit for the year attributable to the Parent Company in accordance with Law No. 19 of 2000 and the Ministry of Finance resolutions No. 24 of 2006.

*Zakat*

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

**2.4.14 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.

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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.14 Revenue recognition (continued)**
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.

Performance obligations satisfied over time include asset management and other services, where the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The Group's fee and commission income from services where performance obligations are satisfied over time include the following:

*Management fees*
These fees are earned for the provision of asset management services. These services represent a single performance obligation comprised of a series of distinct services which are substantially the same, being provided continuously over the contract period. Asset management fees consist of management and performance fees that are considered variable consideration.

*Brokerage fees*
The Group buys and sells securities on behalf of its customers and receives a fixed commission for each transaction. The Group's performance obligation is to execute the trade on behalf of the customer and revenue is recognised once each trade has been executed (i.e., on the trade date). Payment of the commission is typically due on the trade date.

**2.4.15 Dividend income**
Dividend income is recognised on the date when the Group's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the consolidated statement of profit or loss.

**2.4.16 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.

**2.4.17 Interest income and expense**
Interest income and expense are recognised in the consolidated statement of profit or loss for all interest-bearing financial instruments using the effective interest method.

**2.4.18 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.

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

**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.4.18 Leases (continued)**

***Group as a lessee (continued)***

*i) Right-of-use assets (continued)*

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 (2.4.9) 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.

***Group as a lessor***

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

**2.4.19 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. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4.20 Contingencies

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

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

### 2.4.21 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

### 2.4.22 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.

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 with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

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.

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4.22 Foreign currencies (continued)

*Group companies*
On consolidation, the assets and liabilities of foreign operations are translated into KD 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 to profit or loss.

### 2.4.23 Events after the reporting date

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.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

### 3.1 Significant judgments

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

***Classification of financial assets***
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

***Classification of property***
The Group determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory property comprises property that is held for sale in the ordinary course of business. Principally this is property that the Group develops and intends to sell before or on completion of construction.

***Legal cases***
In accordance with IFRSs, outcome of legal cases may result in disclosure of contingent assets, contingent liabilities or recognition of a provision. Contingent asset are possible assets that arise from past events and whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control and are disclosed if the inflow of economic benefits is probable.

The Group may also recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

**3.1 Significant judgments (continued)**

***Legal cases (continued)***
Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the consolidated financial statements, could have a material effect on the Group's financial position. Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for disclosures and provision in its consolidated financial statements. Among the factors considered in making decisions on disclosure or provisions are the nature of litigation, claim or assessment, the legal process and potential outcome in the jurisdiction in which the litigation has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

**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.

***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 intangible assets with indefinite useful lives***
The Group tests whether an intangible asset with an indefinite useful live (brokerage licence) has suffered any impairment on an annual basis. For the 2020 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates (Note 9). These growth rates are consistent with forecasts specific to the industry in which each CGU operates.

***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.

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

Investment properties are measured based on estimates prepared by independent real estate valuation experts. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 8.

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

## 4. CASH AND SHORT-TERM DEPOSTS

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

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Cash in hand | **1,750** | 1,750 |
| Cash at banks | **6,417,685** | 1,129,942 |
| Short-term deposits maturing within 3 months | **-** | 975,000 |
| **Cash and cash equivalents in consolidated statement of cash flows** | **6,419,435** | 2,106,692 |
| Term deposit with original maturity period exceeding 3 months but not more than 12 months | **909,750** | 55,000 |
| **Cash and short-term deposits as per consolidated statement of financial position** | **7,329,185** | 2,161,692 |

Cash and cash equivalents disclosed above include restricted bank balances of KD 531,594 (2019: KD 462,570) not available for use for day-to-day operations.

Term deposits represent placements with local banks with a maturity of more than three months from the date of placement, and earn interest at an average effective interest rate ranging from 0.65% to 2.75% (2019: 1.75% to 3.1%) per annum.

## 5. OTHER ASSETS

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| Management fees receivable | **479,817** | 412,750 |
| Commission income receivables | **224,798** | 140,040 |
| Prepayments | **240,118** | 160,816 |
| Due from Kuwait Clearing Company (KCC) | **1,595,315** | - |
| Advance payment towards purchase of an investment property * | **1,000,000** | - |
| Other receivables | **83,332** | 73,603 |
| | **3,623,380** | 787,209 |

* On 28 December 2020, the Group entered into a preliminary contract (the "Contract") to acquire an investment property in the State of Kuwait and paid an advance of 1,000,000. The Contract specifies the terms of sale and the contractual obligations of each party.

Other assets do not contain impaired assets.

## 6. LOANS AND ADVANCES

Loans and advances include a loan granted to a customer amounting to KD 7,500,000 (2019: KD 7,500,000) in lieu of a wakala investment backed up by a debt admission authenticated by the Ministry of Justice - Department of Authentication and registered under no. 3427/2011 (Volume 6); and for which an enforcement action has commenced under no. 14179653. No recoveries from collections were made due to the significant financial difficulties encountered by the debtor. Accordingly, the debt is considered credit impaired and has been fully provided for in previous years.

## 7. INVESTMENT SECURITIES

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| **Investments at FVTPL** | | |
| Quoted equity securities | **2,877,030** | 2,726,669 |
| Funds | **4,596,259** | 5,271,289 |
| | **7,473,289** | 7,997,958 |
| **Investments at FVOCI** | | |
| Quoted equity securities | **-** | 127,260 |
| Unquoted equity securities | **97,085** | 184,946 |
| | **97,085** | 312,206 |
| | **7,570,374** | 8,310,164 |

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 22.

## 8. INVESTMENT PROPERTY

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| As at 1 January | **-** | - |
| Additions [1] | **11,500,000** | - |
| Disposals [2] | **(9,000,000)** | - |
| As at 31 December | **2,500,000** | - |

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

[1] On 19 January 2020, a favourable judgment from the First Instance Court was handed down evidencing the ownership of the property and the management believes that this favorable outcome has granted all the right of ownership of the property to the Parent Company. Accordingly, the land is now being recorded in the consolidated financial statement of the Group at fair value amounting to KD 9,000,000 determined by accredited independent valuator (Note 24.3).

Further, on 7 December 2020, one of the subsidiaries of the Group acquired an income generating investment property in the State of Kuwait for a total consideration of KD 2,500,000. The title deed of the underlying property has not been transferred to the Group as at the authorisation date of these consolidated financial statements and spending certain legal proceedings. However, the Group retains substantially all the risks and rewards incidental to ownership of this property.

[2] During the year, the Group sold an investment property to a related party for a total consideration of KD 9,000,000. No gain or loss was recognised from this transaction (Note 19 and 24.3).

[3] The fair value of the investment property is determined based on valuations carried out by two independent registered real estate assessors who are an industry specialised in valuing these types of properties in which one of these valuers is a local bank. The valuers used the income capitalisation method to value the investment property. The unit fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate.

**8. INVESTMENT PROPERTY (continued)**

The significant unobservable inputs used in the fair value measurements categorised within Level 2 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December 2020 are disclosed in Note 22.

**9. INTANGIBLE ASSET**

Intangible asset represents a brokerage license in Kuwait acquired for KD 12,500,000 stated net of impairment loss of KD 3,900,000 (2019: KD 3,900,000). The brokerage license is determined to have an indefinite useful life.

The Group performed its annual impairment test in December 2020 and 2019.

The recoverable amount has been determined based on value-in-use calculations using cash flow projections from financial budget approved by management covering a five-year period based on the historical pattern of trade volumes, revenue growth and market share. The discount rate applied to cash flow projections is 8.81% (2019: 9.7%) and cash flows beyond the five-year period are extrapolated using growth rate of 2.4% (2019: 3%) per annum, which does not exceed the long-term average growth rate of the State of Kuwait.

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

- Discount rate
- Market share during the forecast period
- Long-term growth rate (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 intangible asset to exceed its recoverable amount. These are summarised below:

- A rise in the discount rate to 9.81% (i.e. +2%) would not result in an impairment.
- A reduction in the long-term growth rate to 1.75% (i.e. 75 bps) would not result in an impairment.

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.

## 10. FURNITURE AND EQUIPMENT

| | *Furniture and equipment KD* | *Vehicles KD* | *Computers KD* | *Software KD* | *Capital work in progress KD* | *Total KD* |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 January 2019 | 1,569,749 | - | 1,073,382 | 2,038,386 | 34,582 | 4,716,099 |
| Additions | 6,657 | - | 26,904 | 57,182 | 3,093 | 93,836 |
| Transfers | - | - | 4,280 | - | (4,280) | - |
| Disposals | (5,653) | - | (16,570) | - | - | (22,223) |
| At 31 December 2019 | 1,570,753 | - | 1,087,996 | 2,095,568 | 33,395 | 4,787,712 |
| Additions | 111 | 62,506 | 3,666 | - | - | 66,283 |
| Disposals | (135) | - | (352) | - | (1,114) | (1,601) |
| **At 31 December 2020** | **1,570,729** | **62,506** | **1,091,310** | **2,095,568** | **32,281** | **4,852,394** |
| **Depreciation:** | | | | | | |
| At 1 January 2019 | 1,544,709 | - | 1,031,775 | 1,705,331 | 24,701 | 4,306,516 |
| Charge for the year | 12,070 | - | 16,285 | 147,370 | - | 175,725 |
| Disposals | (5,651) | - | (11,466) | - | - | (17,117) |
| At 31 December 2019 | 1,551,128 | - | 1,036,594 | 1,852,701 | 24,701 | 4,465,124 |
| Charge for the year | 7,897 | 2,250 | 19,503 | 121,204 | - | 150,854 |
| Disposals | (132) | - | (348) | - | - | (480) |
| **At 31 December 2020** | **1,558,893** | **2,250** | **1,055,749** | **1,973,905** | **24,701** | **4,615,498** |
| **Net book value:** | | | | | | |
| At 31 December 2019 | 19,625 | - | 51,402 | 242,867 | 8,694 | 322,588 |
| **At 31 December 2020** | **11,836** | **60,256** | **35,561** | **121,663** | **7,580** | **236,896** |

## 11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

| | ***2020 KD*** | *2019 KD* |
|---|---|---|
| Provision for employees' end of service benefits | **1,130,656** | 1,163,983 |
| Other staff payables | **282,640** | 204,270 |
| Taxes payable | **286,081** | 26,945 |
| Payable to a Fund under liquidation (Note 19) * | **2,000,000** | - |
| Other payables | **1,512,462** | 824,783 |
| | **5,211,839** | 2,219,981 |

* This balance represents amounts received by the Parent Company in its capacity as the Liquidator of Al Awsat Money Market Fund KD (the "Fund") relating to the settlement of a debt owed to the Fund. Subsequent to the reporting date, the entire amount has been transferred to the Fund's account.

## 12. SHARE CAPITAL

| | *Number of shares* | | *Authorised, issued and paid* | |
|---|---|---|---|---|
| | ***2020*** | *2019* | ***2020 KD*** | *2019 KD* |
| Shares of 100 fils each (paid in cash) | **263,814,991** | 263,814,991 | **26,381,499** | 26,381,499 |

**12. SHARE CAPITAL (continued)**

The Board of Directors of the Parent Company in their meeting held on 13 December 2020 proposed a capital reduction of KD 4,381,499 by various means. This proposal has been approved by the CMA on 24 January 2021 and approved by the shareholders of the Parent Company at the extraordinary general assembly meeting held on 25 March 2021 and is subject to the completion of regulatory proceedings (Note 26).

**13. TREASURY SHARES AND TREASURY SHARES RESERVE**

| | ***2020*** | *2019* |
|---|---|---|
| Number of shares | **2,067,610** | 2,000,000 |
| Percentage of issued shares | **0.8%** | 0.8% |
| Cost ("KD") | **541,759** | 536,114 |
| Market value ("KD") | **243,978** | 177,000 |
| Weighted average market value per share (fils) | **99.14** | 57.80 |

Reserves equivalent to the cost of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines. An amount equivalent to the cost of purchase of treasury shares have been earmarked as non-distributable throughout the holding period of treasury shares.

The Board of Directors of the Parent Company in their meeting held on 13 December 2020 resolved to partially offset accumulated losses by cancelling 2,067,610 treasury shares. This proposal has been approved by the CMA on 24 January 2021 and approved by the shareholders of the Parent Company at the extraordinary general assembly meeting held on 25 March 2021 and is subject to the completion of regulatory proceedings (Note 26).

**14. STATUTORY RESERVE**

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of Parent Company before tax and 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 reserve during the year due to accumulated losses incurred by the Group.

**15. VOLUNTARY RESERVE**

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

No transfer has been made to the reserve during the year due to accumulated losses incurred by the Group.

**16. GENERAL AND ADMINISTRATIVE EXPENSES**

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| Staff costs | **1,664,504** | 1,819,700 |
| Depreciation of furniture and equipment | **150,854** | 175,725 |
| Other expenses | **958,870** | 861,970 |
| | **2,774,228** | 2,857,395 |

## 17. EARNINGS PER SHARE (EPS)

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

| | ***2020*** | *2019* |
|---|---|---|
| Profit for the year attributable to equity holders of the Parent Company (KD) | **7,863,578** | 655,418 |
| Weighted average number of issued and paid up shares | **263,814,991** | 263,814,991 |
| Less: Weighted average number of treasury shares | **(2,051,908)** | (4,324,209) |
| Weighted average number of shares outstanding (shares) * | **261,763,083** | 259,490,782 |
| **Basic and diluted EPS (fils)** | **30.0** | 2.5 |

* 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.

## 18. FIDUCIARY ASSETS

The Group manages investment portfolios and funds on behalf of clients and provides online trading facilities. The total carrying value of these portfolios as at 31 December 2020 amounted to KD 340 million (2019: KD 366 million) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

Management fee earned from the above fiduciary assets amounted to KD 1,424,400 (2019: KD 1,490,237) and commission income earned amounted to KD 1,015,308 (2019: KD 545,371).

## 19. RELATED PARTY DISCLOSURES

The Group's related parties include its major shareholders, entities under common control, directors and executive officers of the Group, close members of their families and entities of which they are principal owners or over which they are able to exercise significant influence or joint control. Pricing policies and terms of these transactions are approved by the Group's management.

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

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| **Consolidated statement of profit or loss** | | |
| Unrealised (loss) gain from funds managed by the Parent Company | **(856,429)** | 258,651 |
| General and administrative expenses | **(59,892)** | (7,215) |
| Management fees | **-** | 9,132 |
| Commission income | **-** | 37,595 |
| Interest income | **-** | 57,651 |
| Gain from sale of investments | **-** | 78,797 |
| Finance costs on term loan | **-** | (53,466) |

**19. RELATED PARTY DISCLOSURES (continued)**

| | ***2020*** | *2019* |
|---|---|---|
| | ***KD*** | *KD* |
| **Consolidated statement of financial position** | | |
| Investments in funds managed by the Parent Company | **3,305,720** | 4,145,711 |
| Purchase of furniture and equipment | **62,506** | **-** |
| Payable to a Fund under liquidation | **(2,000,000)** | **-** |
| Other payables | **(11,053)** | **-** |

During the year, the Group sold an investment property to a related party for a total consideration of KD 9,000,000. No gain or loss was recognised from this transaction (Note 8 and 24.3)

**Key management personnel**

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group.

The aggregate value of transactions related to key management personnel were as follows.

| | *Transaction values for the year ended 31 December* | | *Balances outstanding at 31 December* | |
|---|---|---|---|---|
| | ***2020*** | *2019* | ***2020*** | *2019* |
| | ***KD*** | *KD* | ***KD*** | *KD* |
| Salaries and short-term benefits | **445,400** | 486,147 | **91,346** | 69,809 |
| Employees' end of service benefits | **21,611** | 20,367 | **492,156** | 520,885 |
| | **467,011** | 506,514 | **583,502** | 590,694 |

**20. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial liabilities accounts payable and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and short-term deposits, other assets and investment securities that derive directly from its operations.

The Group is exposed to market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity 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.

**20.1 Market risk**

Market risk is the risk that the fair value or future cash flows of 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 cash and short-term deposits and investment securities.

**20.1.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term deposits with floating interest rates.

*Interest rate sensitivity*

A reasonably possible change of 25 basis points in interest rates at the reporting date would have resulted in a change in profit for the year by KD 2,274 (2019: KD 2,575). This analysis assumes that all other variables, remain constant.

**20. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**20.1 Market risk (continued)**

**20.1.2 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 its functional currency i.e. KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

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

| Currency | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| US Dollar (USD) | **676,088** | 119,585 |
| GCC currencies | **105,548** | 179,279 |
| Other currencies | **625** | 5,637 |

*Foreign exchange rate sensitivity*

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

| | | ***2020*** | *2019* |
|---|---|---|---|
| **Currency** | ***Change in exchange rate*** | ***Effect on profit KD*** | *Effect on profit KD* |
| US Dollar (USD) | **5%** | **(33,347)** | (5,494) |
| GCC currencies | **5%** | **(5,277)** | (8,964) |
| Other currencies | **5%** | **(31)** | (282) |

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.

**20.1.3 Equity price risk**

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) (Note 7). 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 this through diversification of investments in terms of geographical distribution and industry concentration. Diversification of the portfolio is based on the Group's policies and the legal requirements of State of Kuwait.

The majority of the Group's listed equity investments are publicly traded and are included either in Boursa Kuwait or other GCC markets.

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

## 20. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 20.1 Market risk (continued)

#### 20.1.3 Equity price risk (continued)

| Market indices | *% change* | *Effect on profit KD* | *Effect on equity KD* | *Total KD* |
|---|---|---|---|---|
| **2020** | | | | |
| Boursa Kuwait | ± 5 | **180,842** | **4,397** | **185,239** |
| GCC markets | ± 5 | **55,402** | **-** | **55,402** |
| 2019 | | | | |
| Boursa Kuwait | ± 5 | ± 171,328 | ± 6,236 | ± 177,563 |
| GCC markets | ± 5 | ± 96,387 | - | ± 96,387 |

### 20.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily cash and short-term deposits and other assets.

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

| | ***2020 KD*** | *2019 KD* |
|---|---|---|
| Cash and short-term deposits (excluding cash on hand) | **7,327,435** | 2,159,942 |
| Other assets (excluding prepayments) | **3,383,262** | 626,393 |
| | **10,710,697** | 2,786,335 |

***Cash and short-term deposits***

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. 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 and term deposits has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

***Loans and advances***

As at 31 December 2020, loans and advances exposed to credit risk of KD 7,500,000 (2019: KD 7,500,000) were fully impaired (Note 6).

***Other receivables***

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

### 20.3 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.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis.

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December, based on contractual undiscounted payments.

| ***At 31 December 2020*** | ***Less than 3 months KD*** | ***3 to 12 months KD*** | ***Total KD*** |
|---|---|---|---|
| Accounts payable and other liabilities (excluding provision for employees' end of service benefits) | **2,240,488** | **1,840,695** | **4,081,183** |

| *At 31 December 2019* | *Less than 3 months KD* | *3 to 12 months KD* | *Total KD* |
|---|---|---|---|
| Accounts payable and other liabilities (excluding provision for employees' end of service benefits) | 198,523 | 857,475 | 1,055,998 |

**21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

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

| | ***2020*** | | | *2019* | | |
|---|---|---|---|---|---|---|
| | ***Within 12 months KD*** | ***After 12 months KD*** | ***Total KD*** | *Within 12 months KD* | *After 12 months KD* | *Total KD* |
| **ASSETS** | | | | | | |
| Cash and short-term deposits | **7,329,185** | **-** | **7,329,185** | 2,161,692 | - | 2,161,692 |
| Other assets | **3,575,937** | **47,443** | **3,623,380** | 748,514 | 38,695 | 787,209 |
| Investment securities | **5,635,120** | **1,935,254** | **7,570,374** | 5,343,008 | 2,967,156 | 8,310,164 |
| Investment property | **-** | **2,500,000** | **2,500,000** | - | - | - |
| Intangible asset | **-** | **8,600,000** | **8,600,000** | - | 8,600,000 | 8,600,000 |
| Furniture and equipment | **-** | **236,896** | **236,896** | - | 322,588 | 322,588 |
| | **16,540,242** | **13,319,593** | **29,859,835** | 8,253,214 | 11,928,439 | 20,181,653 |
| **LIABILITIES** | | | | | | |
| Accounts payable and other liabilities | **4,081,183** | **1,130,656** | **5,211,839** | 1,055,998 | 1,163,983 | 2,219,981 |
| **NET** | **12,459,059** | **12,188,937** | **24,647,996** | 7,197,216 | 10,764,456 | 17,961,672 |

**22. 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.

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

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

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

For assets and liabilities that are recognised in the 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 investment properties and unquoted equity investments.

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.

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

- Cash and short-term deposits
- Other assets
- Accounts payable and other liabilities

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

**22. FAIR VALUE MEASUREMENT (continued)**

**Valuation methods and assumptions**
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 bid 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.

*Unquoted 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. Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities. The Group classifies the fair value of these investments as Level 3.

*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. 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 the income capitalisation method 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. The fair value of investment property are classified as Level 2.

**Fair value hierarchy**
The following tables provide the fair value measurement hierarchy of the Group's investment securities measured at fair value:

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| ***31 December 2020*** | ***Quoted prices in active markets (Level 1) KD*** | ***Significant observable inputs (Level 2) KD*** | ***Significant unobservable inputs (Level 3) KD*** | ***Total KD*** |
| ***Financial instruments*** | | | | |
| Investment securities at FVTPL: | | | | |
| - Quoted equity securities | **2,877,030** | - | - | **2,877,030** |
| - Funds | - | **2,701,583** | **1,894,676** | **4,596,259** |
| | **2,877,030** | **2,701,583** | **1,894,676** | **7,473,289** |
| Investment securities at FVOCI | | | | |
| - Unquoted equity securities | - | - | **97,085** | **97,085** |
| Investment securities (at fair value) | **2,877,030** | **2,701,583** | **1,991,761** | **7,570,374** |
| ***Non-financial assets*** | | | | |
| Investment property | - | **2,500,000** | - | **2,500,000** |

## 22. FAIR VALUE MEASUREMENT (continued)

**Fair value hierarchy (continued)**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| *31 December 2019* | *Quoted prices in active markets (Level 1)* | *Significant observable inputs (Level 2)* | *Significant unobservable inputs (Level 3)* | *Total* |
| | *KD* | *KD* | *KD* | *KD* |
| *Financial instruments* | | | | |
| Investment securities at FVTPL: | | | | |
| - Quoted equity securities | 2,726,669 | - | - | 2,726,669 |
| - Funds | - | 2,526,269 | 2,745,020 | 5,271,289 |
| | 2,726,669 | 2,526,269 | 2,745,020 | 7,997,958 |
| Investment securities at FVOCI | | | | |
| - Quoted equity securities | 127,260 | - | - | 127,260 |
| - Unquoted equity securities | - | - | 184,946 | 184,946 |
| | 127,260 | - | 184,946 | 312,206 |
| Investment securities (at fair value) | 2,853,929 | 2,526,269 | 2,929,966 | 8,310,164 |
| *Non-financial assets* | | | | |
| Investment property | - | - | - | - |

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

**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*** | | *2019* | |
|---|---|---|---|---|
| | ***FVTPL*** | ***FVOCI*** | *FVTPL* | *FVOCI* |
| | ***KD*** | ***KD*** | *KD* | *KD* |
| As at 1 January | **2,745,020** | **184,946** | 3,474,531 | 160,969 |
| Remeasurement recognised in profit or loss | **(741,123)** | - | (666,139) | - |
| Net purchases (disposals) | **(109,221)** | **35,701** | (63,372) | (1,680) |
| Remeasurement recorded in OCI | - | **(123,562)** | - | 25,657 |
| **As at 31 December** | **1,894,676** | **97,085** | 2,745,020 | 184,946 |

**Description of significant unobservable inputs to valuation of financial assets:**

Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities and available bid prices in OTC market. Funds and managed portfolio have been valued based on Net Asset Value (NAV) of the fund provided by the custodian of the fund or portfolio manager and management estimates and assumption.

A change in assumptions used for valuing the Level 3 financial instruments, by possible using an alternative ±5% higher or lower liquidity and market discount could have resulted in immaterial effect on the consolidated statement of financial position.

## 23. CAPITAL MANAGEMENT

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, transact in treasury shares, issue new shares, or return capital to shareholders.

The capital structure of the Group consists of total equity is measured at KD 24,647,997 (2019: KD 17,961,672).

The Group monitors capital on the basis of the regulatory requirements of Companies Law No.1 of 2016 and CMA minimum capital requirements for investment companies. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

## 24. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

| | ***2020*** ***KD*** | *2019* *KD* |
|---|---|---|
| **Commitments** | | |
| Uncalled capital contributions relating to investments at FVTPL | **39,642** | 41,131 |

### 24.1 Bank guarantees

The Group provided corporate guarantee to an entity of KD 46.25 Million (2019: KD 46.22 Million) since this guarantee is backed by an irrevocable counter corporate guarantee of an equal amount issued in favour of the Group by a sovereign authority in Kuwait. The Parent Company is a shareholder in this entity, which is incorporated in the Kingdom of Bahrain, in a fiduciary capacity. This entity is neither consolidated nor equity accounted for as this entity represents a structured entity and the Parent Company has no control, joint control or significant influence over the entity.

### 24.2 Legal claim contingency

In prior years certain unit holders ("unit holders") applied for redemption of their units in funds managed by the Parent Company ("the funds"). However the funds, due to liquidity issues, suspended redemptions temporarily and started an orderly liquidation in 2008. Accordingly, certain unit holders initiated legal actions against the funds and the Parent Company to redeem their units and requested for a compensation. Further, the Parent Company in its capacity as the liquidator of the funds have filed a counter claim against certain debtors of the funds to recover outstanding receivables to enable the orderly liquidation.

The legal actions commenced by the unit holders against the Parent Company and the funds are in various phases of litigation and no final court rulings have been issued by the Court of Cassation as of date.

As part of the Parent Company's regular review of ongoing litigations, and based on the legal opinion received from its external and in-house legal counsel and facts disclosed above, the management have determined that it is not possible to reach a reliable estimate for the most likely outcome. Accordingly, no provision for any liability has been made in these consolidated financial statements.

### 24.3 Contingent asset

The Parent Company owns a real estate property by virtue of the title deed dated 7 May 2009. However, the repossessed property was not been recorded as an asset on the Group's consolidated financial statements as at 31 December 2019 due to the ongoing litigation with the customer. A favourable judgment from the First Instance Court was handed down on 19 January 2020 evidencing the ownership of the property and the management believes that this favorable outcome has granted all the right of ownership of the property to the Parent Company. As a result, the land was recorded in the consolidated financial position of the Group at fair value amounting to KD 9,000,000 determined by an accredited independent valuer.

On 24 August 2020, the Board of Directors approved the decision to sell the investment property for a total consideration of KD 9,000,000. No gain or loss was recognised from this transaction. On 13 September 2020, the Group concluded the sale of the property to a related party.

## 24. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

### 24.3 Contingent asset (continued)

Subsequent to the reporting date, a judgement from the Appeal Court was handed down on 13 January 2021 that contract between the Parent Company and its customer should only be considered as a collateral against wakala agreement and not a sale contract and the title deed dated 7 May 2009 is deemed void. On 28 March 2021, the Court of Cassation issued a verdict to suspend the Appeal Court judgement and the matter is currently being considered by the Court of Cassation and the trial proceedings and hearings are still in progress as at the authorisation date of these consolidated financial statements.

The Parent Company has been advised by its legal counsel that it is only possible, but not probable, that the action against Parent Company will succeed. Accordingly, Parent Company has not recognised any provision for any liability in the consolidated financial statements in relation to this litigation.

## 25. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on its products and services and has four reportable segments, as follows:

- **Asset Management:** engaged in providing third party fund and portfolio management services on a fiduciary basis.
- **Brokerage and online trading:** engaged in on-line and brokerage services across Middle East and North Africa (MENA) and United States of America (USA) based stock exchanges.
- **Credit operations:** engaged in providing margin loans to the clients trading in Boursa Kuwait and commercial loans to the clients.
- **Investment & treasury:** engaged in money market placements, real estate activities and includes proprietary trading in equity stocks and funds across Gulf Cooperation Countries (GCC) and International markets.

The Chief Operating Decision Maker (CODM) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The following tables present revenue and profit information for the Group's operating segments for the year ended 31 December 2020 and 2019, respectively:

| *2020* | *Asset management KD* | *Brokerage & online trading KD* | *Credit operations KD* | *Investment & treasury KD* | *Total KD* |
|---|---|---|---|---|---|
| Segment income | **1,128,679** | **1,844,157** | **-** | **7,890,844** | **10,863,680** |
| Segment expenses | **(939,483)** | **(1,031,799)** | **(9,750)** | **(793,196)** | **(2,774,228)** |
| Segment results | **189,196** | **812,358** | **(9,750)** | **7,097,648** | **8,089,452** |
| Provision for tax and directors' remuneration | | | | | **(337,515)** |
| Profit for the year | | | | | **7,751,937** |
| *2019* | | | | | |
| Segment income | 1,942,440 | 1,233,701 | - | 544,631 | 3,720,772 |
| Segment expenses | (882,574) | (1,055,864) | (60,779) | (911,644) | (2,910,861) |
| Segment results | 1,059,866 | 177,837 | (60,779) | (367,013) | 809,911 |
| Provision for tax and directors' remuneration | | | | | (39,691) |
| Profit for the year | | | | | 770,220 |

## 25. SEGMENT INFORMATION (continued)

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2020 and 31 December 2019, respectively:

| | *Asset management KD* | *Brokerage & online trading KD* | *Credit operations KD* | *Investment & treasury KD* | *Total KD* |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| ***2020*** | **2,628,134** | **8,976,706** | **-** | **18,254,995** | **29,859,835** |
| *2019* | 2,782,520 | 8,961,640 | - | 8,437,493 | 20,181,653 |
| **LIABILITIES** | | | | | |
| ***2020*** | **389,152** | **445,378** | **14,008** | **4,363,301** | **5,211,839** |
| *2019* | 390,427 | 450,034 | 13,049 | 1,366,471 | 2,219,981 |

Geographically, Group's assets are located in GCC predominantly in Kuwait, as a result, no geographic segment information has been provided.

## 26. SUBSEQUENT EVENTS

On 13 December 2020 the board of directors' of the Parent Company proposed in their meeting the following:

**First:** Extinguish accumulated losses of KD 3,754,309 as at 30 September 2020 as follows:

(a) Cancellation of 2,067,610 treasury shares. The balance of treasury shares reserve after cancellation amounting to KD 1,241,309 will be used to partially offset the accumulated losses as of that date.
(b) Extinguishment of remaining accumulated losses amounting to KD 2,513,000 as of that date against share capital.

**Second:** Reduction of authorised, issued and paid-up share capital of the Parent Company from KD 26,381,499 to KD 22,000,000 through extinguishment of accumulated losses as stated in point (a) and (b) and distributing the remainder of the reduction amount of KD 1,661,738 to the shareholders pro-rated to their shareholding in the Parent Company.

Subsequent to the reporting date, the Parent Company has obtained the required approvals from the Capital Market Authority ("CMA") and the approval of the shareholders at the extra-ordinary general assembly ("EGM"). The capital reduction will be reflected in the books of account of the Parent Company on completion of all regulatory proceedings in this respect.

## 27 IMPACT OF COVID-19 OUTBREAK

The Covid-19 outbreak was first reported near the end of 2019. At that time, a cluster of cases displaying the symptoms of a 'pneumonia of unknown cause' were identified in Wuhan, the capital of China's Hubei province. On 31 December 2019, China alerted the World Health Organisation (WHO) of this new virus. On 30 January 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a 'Public Health Emergency of International Concern'. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

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