Annual Report &
Financial Statements
2020

كويت بيلارز
للإستثمار المالي (ش.م.ك. مقفلة)
Kuwait Pillars
for Financial Investment (KSC Closed)
رأس المال المصرح والمدفوع بالكامل 30,000,000 مليون دينار كويتي
The Authorized Capital and Paid in Full K.D. 30,000,000

KPFI

H. H. Sheikh
Nawaf Al Ahmed Al Jaber Al Sabah
Amir of State of Kuwait

H. H. Sheikh
Mishal Al Ahmad Al Jaber Al Sabah
The Crown Prince of State of Kuwait

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Board of Directors

Mr. Ghazi Ahmed Al-Osaimi
Chairman

Mr. Mishal Naser Habib
Vice Chairman & CEO

Mr. Soud Abdulaziz Al-Mansour
Board Member

Mr. Jamal Abdullah Al-Saleem
Board Member

Mr. Bandar Abdullah Al-Ghemlas
Board Member

Mr. Mohamad Saad Al-Saad
Board Member

Mr. Mohamad Al-Sayed Taha
Board Secretary

Agenda of the Annual Ordinary General Assembly Meeting for the Fiscal Year Ended 31/12/2020

Item 1: Discussing the Board of Directors report for the financial year ended 31/12/2020 and approving the same.

Item 2: Reciting both Corporate Governance Report and Audit Committee Report for the financial year ended 31/12/2020 and approving the same.

Item 3: Reviewing the penalities (financial or non-financial) that were imposed by the regulatory authorities during the financial year ended 31/12/2020 (if any).

Item 4: Discussing the report of the auditor Deloitte & Touche (Al Wazzan & Co.) for the financial year ended 31/12/2020 and approving the same.

Item 5: Discussing the annual financial statements for the financial year ended 31/12/2020.

Item 6: Approving not to deduct the obligatory reserve.

Item 7: Approving not to deduct the voluntary reserve.

Item 8: Approving the Board of Directors' recommendation of not to distribute dividends for the financial year ended 31/12/2020.

Item 9: Approving the Board of Directors' recommendation of not to distribute remuneration to the Board of Directors for the financial year ended 31/12/2020.

Item 10: Authorizing the Board of Directors to buy or sell the Company's shares by not more than 10% of the number of shares in accordance with the provisions of Law No. 7 of 2010 and its Executive Regulations and their amendments.

Item 11: Listening to a report on transactions with related parties during the financial year ended 31/12/2020 and authorizing the Board of Directors to deal with the related parties until the date of the next General Assembly for the financial year ended 31/12/2021.

Item 12: Approving discharging the members of the Board of Directors in respect of their financial, administrative and legal actions for the financial year ended 31/12/2020.

Item 13: Discussing the allocation of an amount of KD 2,500 (Two Thousand Five Hundred Kuwaiti Dinars) for the social responsibility for the fiscal year ended 31/12/2021 and the delegation of the Chief Executive Officer to determine the entity to be disbursed.

Item 14: Approving appointment or re-appointment of Company's auditor within the list of accredited auditors of the Capital Market Authority - taking into consideration the period of mandatory change of auditor - for the financial year ending on 31/12/2021 and authorizing the Board of Directors to determine his fees.

Item 15: Approving the appointment of a member of the Board of Directors to the board of directors membership of Kuwait Investment Company & approving the appointment of a member of the Board of Directors to the board of directors membership of Gulf Custody Company and to a position in The Kuwait Financial Centre Company pursuant to Article 197 of the Companies Law.

Chairman Message

Dear Valued Shareholders,

I am pleased to present to you, on behalf of my fellow Board Members, the annual report and financial statements of the company for the fiscal year ended 31 December 2020.

The economic impact of the Covid-19 pandemic has been severe and brought with it many challenges in many areas of life, and its effects extended to the growth of the global and local economy, and affected the performance of the financial market in Kuwait, whose indicators have significantly decreased.

The company achieved losses of 5.07 million Kuwaiti dinars during the year 2020, after the realized profits during the last year amounted to 1.59 million Kuwaiti dinars. This loss came because of the company being affected by the results of the associate company's business results, in addition to unrealized losses resulting from the revaluation of some of the company's assets. Shareholders' equity stabilized at 31.30 million Kuwaiti dinars at the end of the current year. The Board of Directors has recommended not to distribute dividends for the fiscal year ending on December 31, 2020.

The Board of Directors, in coordination with the Executive Management, has followed up on the business and investment strategy and the company's risk management policy, especially in light of the unprecedented reality imposed on us by the pandemic, which focused on ensuring the continuation of the operational functions of the company's departments through remote work in addition to the exit from an international investment achieving an excellent internal rate of return for the company's shareholders, continuing to focus on fixed income investments as indicated in our annual report last year, following up on international and regional investments, managing the company's portfolio in the Kuwaiti market, and managing clients' portfolios. Thankfully, more than 88 percent of the development work has been completed in the Sharjah real estate project, which in turn witnessed periods of business interruption due to health conditions, but the executive management was keen, through field visits to the work site, to accelerate the pace of work completion with the aim of completing the project. During the half year, God willing.

Despite the sharp decline in oil prices during the previous year and its gradual rise and fluctuation at its current levels, and its impact on the state's public finances, the future outlook for the Kuwaiti economy remains stable, which reinforces the need to accelerate the pace of diversification of economic activity through the implementation of strategic development plans and long-term economic reform.

On behalf of the Board of Directors and on my own behalf, I would like to extend my sincere thanks and gratitude to H.H. Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah the Amir of Kuwait, H.H. Sheikh Mishal Al-Ahmad Al-Sabah, the Crown Prince of Kuwait; H.H. Sheikh Sabah Al-Khaled Al-Sabah, the Prime Minister; and all the regulators, asking God, to safeguard them all and bless their continuous endeavors and support aimed at achieving prosperity and progress of our country's economy at all levels. I would also like to extend my thanks to our valued shareholders for their confidence and continuous support to the company management. In addition, I extend my thanks to the company's staff for their efforts to achieve the business plans.

Ghazi Ahmed Al-Osaimi
Chairman

Dear Valued Shareholders,

KPFI's Management is pleased to present you the annual report and financial statements of the company for the fiscal year ending on 31 December 2020.

Key Financial Highlights in 2020

Statement	2019	2020	Percentage Change%
Investment income	2,237	(35)	98%
Interest income	471	362	-23%
Total assets	42,698	37,631	-12%
Total liabilities	6,504	6,315	-3%
Shareholders' equity	36,194	31,316	-13%
Retained earnings	6,719	1,643	-76%
Net profit	1,590	(5,071)	-419%
Earnings per share (fils)	5 fils	(17)	-438%
Book value	121 fils	104	-14%

* Figures in thousands

Keys Events in 2020

The company was not immune from the economic consequences of the emerging corona virus (Covid-19) pandemic, which are presented in more details through our view of the local and global economy in the next pages. However, the company's management worked to respond quickly to the exceptional circumstances imposed on it, and to adopt measures to ensure business continuity by working remotely during the downtime in the country.

During the year, the company continued to follow the strategy set by the executive management and approved by the Board of Directors by making investments with a low risk-to-return ratio to achieve stable cash flows in the long term in order to achieve meaningful returns for shareholders.

The fixed income investments occupy a large part of the company's liquidity, and it consists of bonds issued by local institutions. These bonds carry fixed and floating interest rates at an average of 4.90 percent and are rated highly so that the company guarantees stable cash flows with low credit risks. The total size of the company's fixed income investments amounted to 1.750 million Kuwaiti dinars.

The value of the company's real estate investment portfolio at the end of the year amounted to approximately KD 5.00 million. It is a direct and indirect real estate investments, and the portfolio is characterized by its global geographical diversity (North America and the Middle East) with attractive current and future returns with weighted risks.

Thankfully, and due to the prudence of the executive management and its efforts to achieve rewarding returns for shareholders, the company, in the third quarter of the year, exited its stake in a real estate investment in Bad Hamburg region in Germany. The company invested in this income-generating property in 2015, benefiting from annual rental returns of 8.75% of the purchase value. The company achieved a net profit of 884 thousand Kuwaiti dinars from the exit process, with an internal rate of return of 20.00%. In addition to the fixed rental income that flowed into the company on a monthly basis, which provided the company with cash liquidity over the investment period, amounting to 570 thousand Kuwaiti dinars.

Sharjah real estate project development

- In 2015, the company purchased a plot of land of approximately 1,000 square meters in the Al Nahda area in the Emirate of Sharjah, United Arab Emirates.

- The area of Al Nahda was chosen due to its commercial and residential nature and its close proximity to the Emirate of Dubai, which facilitates transportation and increases the attractiveness of Al Nahda as a housing option for people working in Dubai.

- The project, will be a residential investment tower consisting of a ground floor and five floors allocated for parking and 18 residential floors (a total of 24 floors).

- At the end of 2015, the company selected the Sharjah Engineering Consulting Office to carry out the design and supervision work for the project, due to the professionalism of the senior management and the company's technical staff, in addition to the company's extensive experience and the diversity of its projects in the local market, which will constitute an added value during the design and development phase, Finally, the competitiveness of the price offer, which was also taken into consideration after verifying the company's competence, experience and staff.

- During the year 2017, the company signed a construction contracting contract with a contracting company that has a high technical rating from the Sharjah Municipality, where work on developing the project began in December of 2017 and the construction process will take approximately 30 months.

- Thankfully, the external structure of the project has been completed and internal and external finishing works have commenced during the past year. However, work on the site has experienced delays since March due to work interruption due to the Covid-19 pandemic and the delay in obtaining the required approvals from the Sharjah Electricity, Water and Gas Authority. In addition to reducing the workforce in the project to about 30% of its usual number during that period. The project completion rate as of the date of writing this report is 88%.

- As we mentioned in our previous annual report, the company was keen on the quality of the finishing of the project in order to stimulate the demand for leasing in light of the high competitiveness of the real estate market in Sharjah.

Overview of the Kuwaiti Economy

Expectations indicate a decline in Kuwait's gross domestic product by 8.00 percent in 2020, according to the International Monetary Fund and the World Bank reports, as a result of Kuwait's exposure to two shocks during the year, namely the Covid-19 pandemic and the decline in oil prices by 21.50 percent during the year. The measures taken by the state to limit the spread of the pandemic have greatly affected private spending and investment. The inflation rate is expected to remain stable in 2020 at 1.00 percent, after Kuwait recorded an inflation rate of 1.10 percent in 2019.

Kuwait faces an estimated deficit in its general budget for the year 2020/2021, which is the largest in the history of its public budgets, as it is expected that the estimated expenditures will exceed the volume of revenues, bringing the value of the estimated deficit to 9.2 billion dinars, i.e. 11.20 percent over the previous budget (Finance, 2020).

Fitch agency affirmed Kuwait's credit rating at (AA) with a change in the future outlook from stable to negative in February 2021. The downgrading of the outlook reflects the short-term liquidity risks associated with the sharp decline of the General Reserve Fund in the absence of the government's approval to borrow, which reflects Institutional and political deadlock.

Financial Sector

The Covid-19 pandemic threw a shadow on the performance of the Kuwaiti capital market, as the general market index decreased by 11.72 percent during the year 2020 after the index recorded a rise of 23.70 during the year 2019. In turn, the market capitalization value decreased, which amounted to 32.90 billion Kuwaiti dinars by the end of 2020 after reaching 35.72 billion Kuwaiti dinars in December 2019. The assets of the Kuwaiti banking sector witnessed a slight increase of 1.28 percent during the year.

Overview of the Global Economy

The global economy begins to emerge from the deep chasm it fell into with the unprecedented closure of global economies during the first half of last year, but with the continued spread of Covid-19, many countries reduced the pace of reopening through partial closures of their countries. Because of all of the above, the International Monetary Fund expects global economic growth to decline by 3.50 percent in 2020.

Although recent vaccine approvals have raised hope of a positive development regarding the pandemic later in 2020, renewed waves of infections and new virus mutations are raising concerns about the outlook for the economy. Among this exceptional atmosphere of uncertainty, the global economy is expected to achieve a growth of 5.50 percent in 2021, and it is natural that the degree of recovery varies from one region to another depending on the health system and institutional support for the economy in each country.

As for global financial markets, the major global and US indices closed the year 2020 on an increase, despite the sharp decline they witnessed during the first half of the year. Where the MSCI World Index, which measures the performance of stocks in developed markets, achieved an increase of 14.10 percent during the year 2020 after recording an increase of 25.20 percent during 2019. In the United States, the S&P 500 index witnessed an increase of 16.30 percent. In Britain, the FTSE 100 index decreased by 14.30 percent (a rise of 12.10 percent during 2019), and the German DAX stock market index recorded a gain of 3.50 percent after it had achieved a rise of 25.50 during 2019.

Company Performance

The company was affected by the exceptional circumstances experienced by the financial and real estate markets in the region, which had a significant impact on the company's losses for the year 2020. Despite the management's success in reducing the company's expenses by 16.40 percent during the year, the decline in the market and book values of the company's investments led the company achieved losses amounting to 5.07 million Kuwaiti dinars.

Performance of the Associate

The main investment for the company - which is classified as an associate - is its share of the shares of Kuwait Financial Center Company, "Markaz". The total amount of shares in the Kuwait Financial Center Company is approximately 142.77 million shares, which represents 29.86% of the company's shares. The associate company achieved losses to the shareholders of the parent company amounting to 1.72 million Kuwaiti dinars in 2020, compared to a profit of 6.96 million Kuwaiti dinars at the end of 2019. The main reason for the net loss for the year is due to the decline in the fair value of financial assets as a result of the pandemic's consequences on the local and global capital markets, in addition to the drop in the value of investment properties.

Since the date of our acquisition of this investment, our company has been able to achieve combined cash returns with a total amount of 5.19 million Kuwaiti dinars,while the management trusts the ability of the associate company to overcome the financial effects of the pandemic due to the durability and high quality of its assets and investments, and expects that this associate company (Markaz) will maintain to achieve stable returns from working capital and distribute a good percentage of profits to their shareholders in the coming years, God willing, which still reflects the quality of this strategic investment to achieve balanced returns for our shareholders in the long term. The value of the assets managed by the company on behalf of others amounted to 978.67 million Kuwaiti dinars by the end of 2020 (1.14 billion dinars in 2019), and it has achieved fees amounting to 7.52 million Kuwaiti dinars from managing those assets (8.11 million dinars in 2019).

Thanks and Gratitude

At the end, I would like to extend my sincere thanks and gratitude to His Highness the Emir, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Mishal Al-Ahmad Al-Sabah, His Highness the Prime Minister Sheikh Sabah Al-Khaled Al-Sabah and all the regulatory authorities for their efforts to achieve what is in the good and progress of our country at all levels. Thanks are due to our valued shareholders for their support, which we hope will continue further in the future, and to our esteemed clients for the trust they have placed in us. Also, I would like to thank the management team and all company employees for their efforts to implement current and future business plans.

Mishal Nasser Habib
Vice Chairman & CEO

Governance Report
Kuwait Pillars For Financial Investment Company

For the year ended 31/12/2020

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Board of Directors & Board Secretary

Mr. Ghazi Ahmed Al-Osaimi
Chairman

Mr. Mishal Naser Habib
Vice Chairman & CEO

Mr. Soud Abdulaziz Al-Mansour
Board Member

Mr. Jamal Abdullah Al-Saleem
Board Member

Mr. Bandar Abdullah Al-Ghemlas
Board Member

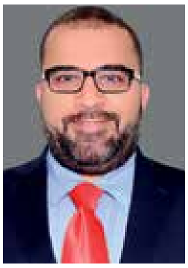
Mr. Mohamad Saad Al-Saad
Board Member

Mr. Mohamad Al-Sayed Taha
Board Secretary

Executive Management Members

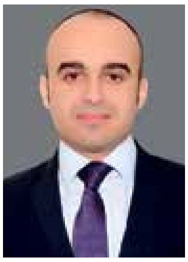
Mr. Mishal Naser Habib
Vice Chairman & CEO

Mr. Essam Abdulrahman Al-Youssef
Executive Vice President
Compliance



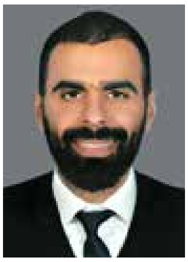
Mr. Ahmed Mohamed Sobhy
Executive Vice President
Finance

Mr. Raed Ibrahim Al-Sadhan
Executive Vice President
Administration & HR



Mr. Borhan Kamali
Executive Vice President
International Investments

Mr. Abdulaziz Jassem Al-Jassem
Senior Vice President
Business Development & Private Equity



Mr. Sohail Jaberi
Vice President
Risk Management

Mr. Fahed Mohamed Al-Osaimi
Vice President
Local & Regional Investments

Chairman Message

Dear KPFI shareholders,

I am pleased to present to you the annual corporate governance report for the year 2020.

In the light of the growing concern of our shareholders, including potential shareholders and investors, Kuwait Pillars decided to strengthen its corporate governance system in line with the finest local and international practices in this area. In this regard, Kuwait Pillars planned to strengthen the role of independent Board members and adopted sophisticated and distinguished work ethics in its sector as well as creating new regulatory laws and applying the delegation of authority system and integrate the role of the board of directors and committees at the heart of our business.

In this regard, we support the need for strict adherence to principles that help establish the concept of transparency, accountability, integrity and ethics and honesty in our business which form without a doubt the cornerstone of any successful organization. Precisely for this reason comes our promise to ourselves and our investors and all our stakeholders to uphold the highest standards of probity and integrity in the management of the company.

The annual corporate governance report as a whole confirms our commitment to always providing the best value for our shareholders. This stems from our recognition as a closed joint stock company that the sustainability of good corporate governance practices has become an ethical and economic imperative in the modern world of business development.

We also are looking to achieve the desired objectives to improve existing practices and procedures in addition to implement developed governance framework for Kuwait Pillars and its affiliates so we can take a prestigious position in our business areas and thus achieve the vision of our shareholders.

Finally we would like to take this opportunity to thank all the authorities and regulators that have contributed to better support the principles and practices of corporate governance and their implementation in State of Kuwait.

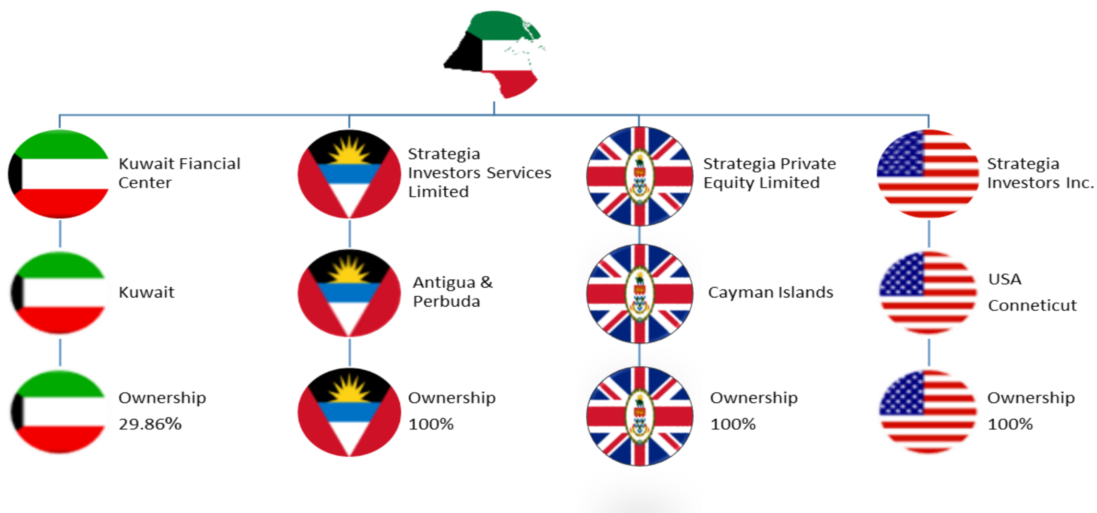
Ghazi Al-Osaimi

Chairman

Major Shareholders of Kuwait Pillars that own 5% and more

	Major Shareholders	Ownership Percentage
1	Privatization Holding Company & its Subsidiaries	43%
2	National Industries Group Holding	6.42%

KPFI and its subsidiaries & associates



Percentage referred to as statements of 31/12/2020

Rule 1: Construct a balanced board composition

Brief on the composition of the Board of Directors, as follows:

The Board of Directors consists of executive, non-executive and independent members who are elected through the General Assembly and the Board of Directors includes a sufficient number of members to form committees within the framework of corporate governance.

The Board of Directors consists of six elected members, and the election and renewal of the membership of Board of Directors members takes place every three years in accordance with the rules and regulations in force and the instructions issued by the Capital Markets Authority and other supervisory bodies.

Name	Member Classification (Executive, Non-Executive, Independent) Board Secretary	Qualifications & Professional Experience	Date of Election/ Appointment of Board Secretary
Ghazi Ahmed Al-Osaimi	Chairman Non-executive	BA in Business Administration – Finance / Gulf University for Science and Technology - Jan 2007	5 May 2020
Mishal Nasser Habib	Vice Chairman & CEO Executive	BA in Accounting / Kuwait University 1996 - Computer science Diploma / Commercial Institute "Public Authority for Applied Sciences" - 1992	5 May 2020
Soud Abdulaziz Al-Mansour	Board Member Independent	BA in General Administration & Finance- California - USA/ 2000	5 May 2020
Mohammad Saad Al-Saad	Board Member Non-executive	Bachelor of Business Administration/ Finance & Financial Institutions - Kuwait University 2005	5 May 2020
Jamal Abdullah Al-Saleem	Board Member Non-executive	BA in Accounting - Kuwait University- Master's degree in Accounting with first class honors - Oklahoma City University USA - 1987	5 May 2020
Bandar Abdullah Al-Ghemlas	Board Member Non-executive	Bachelor of Business Administration/ Finance & Financial Institutions - Kuwait University 2003 Master's degree in Business Administration / Financial Management - American University of the Middle East - 2011	5 May 2020
Mohamed El-Sayed Taha	Board Secretary	Bachelor of Arts- English Literature- Mansoura University- Egypt -1998	Appointed 11 March 2014

Brief on the Company's Board of Directors' meetings, through the following statement:
Meetings of the Board of Directors are held with a full quorum and the attendance by majority of the members. The members of the board of directors were keen to carry out the duties of leadership and responsibility through extensive meetings to supervise the management of the company in various fields and work on the proper utilization of the company's human and financial resources. The board held 12 meetings during the past year, while the articles of association states to meet at least 6 times. Details of the meetings are as follows:

Statement of Board meetings			Board of Directors Members					
Serial	Meeting Number	Date of Meeting	Ghazi Al-Osaimi Chairman	Mishal Habib Vice Chairman	Jamal Al-Saleem Member	Hassan Caedbey Member	Soud Al-Mansour Member	Bandar Al-Ghemlas Member
1	157	26/01/2020	✓	✓	✓	✓	✓	✓
2	158	20/02/2020	✓	✓	✓	✓	✓	✓
3	159	12/03/2020	✓	✓	✓	x	✓	✓
4	160	31/03/2020	✓	✓	✓	x	✓	✓

The Board of Directors members were elected for a period of three years based on the decision of the General Assembly Meeting held on May 5, 2020.

Statement of Board meetings			Board of Directors Members					
Serial	Meeting Number	Date of Meeting	Ghazi Al-Osaimi Chairman	Mishal Habib Vice Chairman	Jamal Al-Saleem Member	Mohammad Al-Saad Member	Soud Al-Mansour Member	Bandar Al-Ghemlas Member
5	160	06/05/2020	✓	✓	✓	✓	✓	✓
6	161	28/06/2020	✓	✓	✓	✓	✓	✓
7	162	04/08/2020	✓	✓	✓	✓	✓	✓
8	163	27/08/2020	✓	✓	✓	✓	✓	✓
9	164	16/09/2020	✓	✓	✓	✓	✓	✓
10	165	26/10/2020	✓	✓	✓	✓	✓	✓
11	166	18/11/2020	✓	✓	✓	✓	✓	✓
12	167	08/12/2020	✓	✓	✓	✓	✓	✓
Attendance Percentage			100%	100%	100%	100%	100%	100%

A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.

All meeting minutes are recorded through the Board Secretary, who in turn prepares all meeting related matters, communicates with all members, and coordinates with them for all meetings. It also provides board members with immediate and quick access to board meeting minutes, information's, documents and records that help them make the right decisions in a timely and appropriate format.

Rule 2: Establish appropriate roles & responsibilities

Brief on how the company defines the policy of the tasks, responsibilities, and duties of each of the Members of the Board of Directors and executive management members, as well as the powers and authorities delegated to the executive management.

The company has a policy to define the duties, responsibilities and powers of the board of directors, which defines the powers that members of the board of directors perform and the powers that have been granted or delegated to the executive management to carry out, where a matrix of financial and administrative authorities has been approved for all levels of the executive body and the board of directors and the separation between them in contradiction with the tasks of each person who has authority or authorization in the members of the executive body, as the system defines dual control over the powers and there is no absolute authority or authorization for any person of board of directors members or the executive body.

Achievements of the Board of Directors during year 2020

- Approval and review Risk Report, Compliance Report and Money Laundering and Terrorism Financing Report.
- Discuss the 2019 risk management report.
- Discuss the compliance department's report for the year 2019.
- Discuss the annual work plan for 2020.
- Discuss the annual budget for the year 2020.
- Review the agenda of the Ordinary General Assembly for the fiscal year ending December 31, 2019, and invite to the Assembly Meeting.
- Formation of the Board of Directors and its committees for a period of three years 2020 – 2022.
- Discuss and approve updates on the company's policies and procedures.
- Discuss and approve the annual report of the authorized person for the year 2019 related to combating money laundering and terrorist financing.
- Discuss and approve the AML / CFT Report for the year 2019 issued by the AML / CFT Department.
- Discuss the internal audit department's report on combating money laundering and terrorist financing for the year 2019.
- Discuss and approve the amendments made to the policies and procedures for combating money laundering and terrorist financing.
- Discuss the 2019 ICR report.
- Discuss the annual report prepared by the external auditor for the year 2019 regarding the assessment of the extent of Kuwait Pillars' compliance with all the determinants and legislative requirements contained in the Anti-Money Laundering and Terrorism Financing Law, as well as the instructions issued by the Authority in this regard.
- Discuss the annual report of the custodian's activity.
- Discuss the governance report according to the form prepared by the Capital Markets Authority (CG online report).
- Discuss the risk management report for the first half of 2020.
- Review and discuss credit facilities granted to companies and take the necessary decisions in this regard.
- Discuss the renewal of the credit facilities provided by Burgan Bank.
- Discuss the semi-annual report of the Compliance Department for the first half of 2020.
- Discuss the semi-annual report on combating money laundering and combating the financing of terrorism for the first half of 2020.
- Discuss the risk assessment and anti-money laundering procedures for the first and second quarters of the first half of 2020.
- Exiting from Walpur 4 investment.
- Marquee Fund Liquidation.
- Discussing and developing special procedures and policies regarding business continuity in light of the Corona pandemic.
- Discussing all procedures regarding emergency plans and business continuity and the extent of their reflection and impact on the company's business.
- Review all reports and studies related to business continuity and emergencies.

Brief about the application of the formation requirements of independent specialized committees by the Board of Directors. The following information shall be mentioned about each committee:
The Board of Directors has approved the formation of its committees in order to enhance the effective supervision and control of all its operations and the activities of the company to ensure best practices. The following is an overview of those committees:

Audit Committee

The Audit Committee consists of (3) members, including at least one independent member, and its membership is not occupied by the Chairman or the Executive Board members. It was formed on 06/05/2020 for a period of three years. The audit committee shall also hold periodic meetings with the external auditors and at least four meetings annually with the internal auditor.

The tasks and achievements of the audit committee during the year 2019

- Recommendation to the Board of Directors to approve the annual and quarterly financial statements.
- Discuss the 2020 audit plan.
- Discuss the appointment of an audit firm to carry out the evaluation and review of internal control systems (ICR) for the fiscal year ending December 31, 2019.
- Discuss the internal audit department's report on combating money laundering and terrorist financing for the year 2019.
- Discuss the annual report of the auditor Deloitte and Touche about the commitment of Kuwait Pillars for Financial Investment to the rules stipulated in Book Seven of the Executive Regulations of the Capital Markets Authority. As on December 31, 2019.
- Discuss the internal audit report for the year 2019.
- Review and approve the ICR Report for the year 2019.
- Discuss and approve internal audit reports for all departments.

Members of the Audit Committee

Name	Position within the Committee	Membership
Mr. / Jamal Abdullah Al-Saleem	Chairman	Non-Executive
Mr. / Soud Abdulaziz Al-Mansour	Member	Independent
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

The number of meetings held by the audit committee during the year 2020

During the year 2020, the committee held (6) meetings.

Risk Committee

The Risk Committee consists of (3) members, and its chairman shall be non-executive board members. The Chairman of the Board of Directors may not be a member of the Risk Committee. It was formed on 06/05/2020 for a period of three years. The Risk Committee shall meet periodically during the year (4) times.

The tasks and achievements of the risk committee during the year 2020

- Review and discuss the risk management action plan for the year 2020.
- Review and approve risk management reports for regulatory authorities.
- Review periodic reports on the company's risks that may be exposed to.
- Discuss and approve the risk assessment and anti-money laundering measures for the first and second quarters of 2020.

Members of the Audit Committee

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Jamal Abdullah Al-Saleem	Member	Non-Executive
Mr. / Bandar Abdullah Al-Ghemlas	Member	Non-Executive

The number of meetings held by the risk committee during the year 2020

During the year 2020, the committee held (4) meetings.

Remuneration & Nomination Committee

The Remuneration and Nomination Committee consists of (3) members, including an independent member, and it is chaired by a non-executive member. It was formed on 06/05/2020 for a period of three years. The Remuneration and Nomination Committee holds at least one meeting annually.

The tasks and achievements of the remuneration & nomination committee during the year 2020

- Discuss the results of the annual evaluation of the company's employees for the year 2019.
- Discuss the annual evaluation of the company's employees for independent positions for the year 2019.
- Discuss bonuses and salary increases for company employees for the year 2019.
- Discuss the remuneration of the company's advisor.
- Discuss the remuneration of the members of the committees and the secretary of the committees emanating from the Board of Directors for the year 2019.
- Discuss the CEO reward for the year 2019.
- Prepare a detailed annual report on all remunerations granted to members of the Board of Directors and the Executive Management, whether they are sums, benefits or benefits of whatever nature or name, and presenting it to the general assembly of shareholders for approval.
- Discuss the invitation to elect the company's board of directors for the next three-year term from 2020-2022.
- Discuss the results of opening the nomination of candidacy for the Board of Directors membership for the next session 2020 -2022.

Members of Remuneration & Nomination Committee

Name	Position within the Committee	Membership
Mr. / Soud Abdulaziz Al-Mansour	Chairman	Independent
Mr. / Ghazi Ahmed Al-Oseimi	Member	Non-Executive
Mr./ Mohammad Saad Al-Saad	Member	Non-Executive

The number of meetings held by the remuneration & nomination committee during the year 2020

During the year 2020, the committee held (2) meetings.

Investment Committee

The Investment Committee consists of (3) members and was formed on 06/05/2020 for a period of three years. The Investment Committee holds (4) meetings during the year.

The tasks and achievements of the investment committee during the year 2020

- Take appropriate corrective measures in order to preserve the company's interests and asset quality.
- Monitor the performance of the company's investment portfolio.
- Review and approve the recommendations made by the Asset Management Department regarding investment operations.

Members of Remuneration & Nomination Committee

Name	Position within the Committee	Membership
Mr. / Mishal Nasser Habib	Chairman	Executive
Mr. / Mohammad Saad Al-Saad	Member	Non-Executive
Mr. / Jamal Abdullah Al-Saleem	Member	Non-Executive

The number of meetings held by the investment committee during the year 2020

During the year 2020, the committee held (6) meetings.

A summary of how to apply the requirements of registration and coordination and keeping the minutes of meetings of the Board of Directors of the company.

The Board members are provided with all information and data by hand or through e-mail and by sending them comprehensive reports for viewing. Communication is done via e-mail and all ways of communication. Through board secretary all documents, minutes of board meetings, and minutes of committees meetings are kept in files that are easy for the board members to request and to have access to.

Rule 3: Recruit highly qualified candidates for members of a board of directors and the Executive Management

Brief about the application of the formation requirements of the nominations and remunerations committee.

The Remuneration and Nominations Committee is made up of three members, including an independent member, and none of the executive members occupy its membership. According to the remuneration and nomination committee approved by the company, among the committee's tasks are:

1. Establishing a clear policy for the remuneration of members of the Board of Directors and the Executive Management.
2. Determine the different categories of rewards that will be granted to employees, such as the fixed bonus segment and the variable bonus segment.
3. Reviewing the bonus policy and assessing its effectiveness in achieving its desired goals.
4. Prepare a detailed annual report on all remunerations granted to members of the Board of Directors and the executive management.
5. Recommending the nomination or re-nomination for membership of the Board of Directors and the Executive Management.

Report on the remunerations to the Members of the Board of Directors and Executive Management

1. **Summary of the company's remuneration and incentives policy, in particular what is related to the Board of Directors members, executive management and managers**

   a. **Board remuneration policy:**
   The remuneration policy for directors states the following:
   - The total remuneration must not exceed 10% of the net profit of the company after deducting depreciation, reserves and shareholder profits that are not less than 5% of the company's capital.
   - Board members 'remuneration must be approved by the General Assembly at its annual meeting, based on the recommendation of the Remuneration and Nominations Committee.
   - Based on the approval of the general assembly, an independent member of the board of directors can be exempted from the maximum remuneration limit.
   - Members of the committees emanating from the Board of Directors are granted a committee attendance allowance.

   b. **Remuneration and incentives policy for the executive management members and company employees:**
   Kuwait Pillars grants several bonuses and incentives to its working employees in accordance with the annual evaluation of the employee, which is carried out according to specific technical and professional standards. These bonuses are allocated in amounts that suit the employee's performance and provide the required motivation and encouragement to continue and raise the level of job performance. The company, through the Nominations and Remuneration Committee, in cooperation with the Administrative Affairs, created and developed plans for short and long-term remuneration that seek to create an attractive business environment and focus on encouraging workers at various job levels in the company.

2. **According to the company's financial statements for the year 2020, the remunerations and benefits for the members of the board of directors and senior executives who received the highest remunerations, in addition to the CEO and the financial manager**

Remunerations and benefits for board of directors' members											
	Remunerations & benefits from the parent company							Remunerations & benefits from the subsidiaries companies			
Total number of board members	Fixed remunerations & rewards (K.D)					Variable remunerations & rewards (K.D)		Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)	
	Medical Insurance	Housing Allowance	Phone Allowance	Flight Tickets	Vacations & end of service	Yearly Bonuses	Committees allowances	Medical Insurance	Total Monthly Salaries during the year	Yearly Bonuses	Committees allowances
6	0	0	0	0	0	0	0	0	0	0	0

The total remunerations and benefits granted to five senior executives who received the highest remunerations, in addition to the CEO and the financial manager

	Remunerations & benefits from the parent company								Remunerations & benefits from the subsidiaries companies			
Total number of executive position	Fixed remunerations & rewards (K.D)							Variable remunerations & rewards (K.D)	Fixed remunerations & rewards (K.D)		Variable remunerations & rewards (K.D)	
	Total Monthly Salaries during the year	Medical Insurance	Annual Tickets	Housing Allowance	Phone Allowance	Children's Education Allowance	Vacations & end of service	Bonuses	Total Monthly Salaries during the year	Others	Bonuses	Committees Bonus
7	277,384	6,600		0	6,000	3,000	18,487	79,951	23,403	0	0	0

3. **Fundamental deviations from the remuneration policy approved by the Board of Directors**

There are no fundamental deviations from the remuneration policy.

Rule 4: Safeguard the Integrity of Financial Reporting

Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports

- The executive management of Kuwait Pillars for Financial Investment undertakes to the Board of Directors of the company that the financial reports are presented in a sound and fair manner, and that they review all the financial aspects of the company in terms of operational data and results, and that they have been prepared in accordance with international accounting standards approved by the Authority.

- The Board of Directors undertakes the integrity of all financial statements as well as reports related to the company's activity and confirms that there are no material issues or events that may affect the continuation of the company's operations during the next financial year.

Brief about the application of the formation requirements of the audit committee.

The Audit Committee is formed of three members and one of its members is independent. Its membership does not include the chairman or executive board members. The members of the audit committee have academic qualifications and practical experience in the accounting and financial fields.

Conflicts between the recommendations of the audit committee and the decisions of the board of directors

No discrepancy has been identified between the audit committee and the decisions of the Board of Directors during the year 2020.

Verification of the independence of the external Auditor.

Deloitte & Touche Al-Wazzan & Co

- The board of directors submits its recommendations to choose the external auditor to be reviewed with the general assembly to appoint the company's external auditor
- The company's auditor is registered in the auditors 'register at the Capital Markets Authority.
- The external auditor is not a partner or a party to any agreement or an agent of one of the founders of the company or a member of the board of directors or any of their relatives up to the fourth degree.
- Selection of the external auditor depends on competence, reputation and experience.

Rule 5: Apply Sound Systems of Risk Management and Internal Audit

A brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management

An independent risk management department has been established, and those in charge of it have complete independence through their direct subordination to the Risk Management Committee (instead of the Board of Directors according to CMA Resolution No. 124 of 2018 dated September 19, 2018) in addition to having a large amount of powers in order to carry out their duties to the fullest extent without granting them financial powers and authorities or any authorities that lead to a conflict with their supervisory role. The Risk Management Department reviews the deals and transactions proposed to be carried out by the company with related parties, and makes appropriate recommendations regarding them to the Board of Directors.

A brief overview of the requirements for forming a risk management committee

The Board of Directors has formed a Risk Management Committee of 3 members. It is chaired by a non-executive board member, including an independent member. The committee holds 4 periodic meetings during the year as a minimum. Among the tasks of the risk committee are the following:

- Reviewing risk management systems and internal controls at least once a year to ensure that all risks that may face achieving business objectives are mitigated by applying appropriate and effective controls. The audit should include financial statement controls, operations, risk management, and internal control systems.
- The audit procedures followed by the company’s management to identify, assess and manage significant risks
- Changes that have occurred since the last review in the nature and extent of major risks and the ability of the company to adapt to changes in operations and the external environment. The scope and nature of risk control activities, internal control systems, external audits, reviewing weaknesses and defects of the control system or unexpected emergencies that have affected or may significantly affect the performance of the company's financial position and the procedures followed by the company to address the core issues of control and review the company's compliance with the approved laws and regulations Related to the company.

Summary clarifying the control and internal audit systems

Internal control system

The company’s board of directors is responsible for managing risks and internal control systems and reviewing their effectiveness, through preserving assets, keeping correct financial statements, and detecting errors and irregularities. The Board of Directors is obligated to review the report of the Risk Committee on the results of internal control activities and the periodic reports on control activities.

- Internal control includes defining a clear organizational structure, writing down policies and guidelines, defining the powers, authorities, mandates, and performance control mechanisms that have been put in place to effectively and regularly monitor the company's operations and ensure compliance with governance laws issued by all regulatory authorities.

Our Internal Control System is comprised of a group of procedures applied by the board of directors, the executive management, as well as the company's employees. Such procedures are designed to provide reasonable, not ultimate, guarantee for achieving the following objectives:

- **Risk management**: ensure identifying the risks and controls required for achieving the company's objectives.
- **Operations' effectiveness and efficiency:** To conduct operations in a precise way with pre-approved procedures to ensure expected accuracy and smooth customer's service.
- **Authenticity of Financial Reports:** ensure presenting authentic financial statements and information to the board, shareholders and Top Management.
- **Internal audit reports:** Review the internal reporting procedures and determine the integrity of financial position of the company.
- **Audit of internal control systems:** A report is prepared by an independent auditor annually on internal control systems.
- **Adherence to applicable laws and legislations**: adhere to the laws and regulations governing the company, to avoid harming the company's image or receiving penalties.

A brief statement on the application of the formation requirements the internal audit department/ office/ unit

The company has an internal audit department and the department uses an independent professional audit office to carry out the internal audit work. The internal audit officer coordinates and supervises the internal audit processes with the external entity, ensures compliance with policies and procedures, and the adequacy of internal control systems, and coordinates with heads of departments and divisions of the company regarding the audit process and issues reports of exceptions to the management, with recommendations and follow-up with the management.

Rule 6: Promote code of conduct & ethical standards

A summary of the business charter including standards and determinants of code of conduct and ethical standards.

The Board of Directors, through the code of professional conduct rules and ethics, defines good practices for governance and its work. This includes the means to ensure that these practices are followed, reviewed and regularly updated with a view to improving them.
The Board of Directors takes the lead in defining professional standards and corporate values that enhance the integrity of the company, senior management and employees.
The code of professional conduct and ethics shall be circulated to all employees of the company and to the board of directors' members to obtain their signatures with the instructions stated therein.

Summary of the policies and mechanisms on reducing the conflicts of interest

Our company has written conflict of interest policies covering all issues related to the subject of conflict of interest and its prospects, including but not limited to:

- Avoid a member of the board of directors from engaging in activities likely to lead to conflicts of interest.
- Board of director's approval of any activity by a member of the board may result in a conflict of interest.

Rule 7: Ensure Timely and High Quality Disclosure and Transparency

Summary of the application of mechanisms for presentation and accurate and transparent disclosure that define aspects, areas and characteristics of disclosure:

The company has set a policy for disclosure and transparency and has been approved by the Board of Directors, and has set standards for disclosure of essential information specified by the executive regulations of the Capital Markets Authority Law, and defined the elements of disclosure and information to be disclosed and the departments responsible for communicating the information. Disclosure thereof in addition to other means represented on the company's website.

Brief about the disclosure record requirements of Board Members, Executive Management & Managers:

A register of disclosures for members of the Board of Directors, Executive Management and Managers has been prepared at the Compliance Dep. and circulate it to the members of the Board of Directors and the Executive Management to inform the Director of the Department of any transactions for them or their minor children on the shares of the company, the parent company, the subsidiary companies, or the companies that the KPFI is considered as a corporate insiders.

The transactions of the members of the Board of Directors and their first-degree relatives in the shares of the company in 2020 were as follows:

Description	Number	Relation	Total sale (of shares)	Total purchase (of shares)	Date of Operation	Remarks
Board Member	1	Personal	-	59,550 shares	August 2020	It was disclosed to the compliance dept. on August 27, 2020
Executive Management	-	-	-	-	-	-
Managers	-	-	-	-	-	-
Employees	-	-	-	-	-	-

Board members and their first degree relatives did not conduct any dealings in the company's shares during 2020. Thus, we continue our efforts in developing the performance of our services and following a more transparent principle in all aspects of dealing with shareholders and investors.

A brief statement on the application of the formation requirements of a unit of investor’s affairs.

The Investor Affairs Unit has been established to provide the largest amount of information regarding current and potential future investors, and this unit is responsible for establishing and providing the necessary data, information and reports to investors, as the Investor Affairs Unit has the appropriate independence that helps it to provide timely and accurate data and reports.

Disclosure through IT systems

Through the development of its electronic portal, our company strives to present and disclose all information and data and utilize the means of information technology to communicate with the general public. The company is also aware that the disclosure system is an effective tool to influence the company's behavior and protect the shareholders and enhance their confidence in the company. The company provides its shareholders and investors with accurate, comprehensive, detailed and timely information through the company's website, which reflects transparently all data, organizational structure and control procedures and policies through dissemination of information of annual reports, quarterly reports through the website (www.kuwaitpillars.com.kw) in Arabic and English.

The company also maintains a complete record of disclosure and is internally documented and can be accessed sequentially through the company's website.

Rule 8: Respect the rights of shareholders

A summary of the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders.

The shareholders have the right to review and participate in the decisions that may affect the future of the company or its activities. The company provides all necessary information to the shareholders in a timely and appropriate manner through advertising in newspapers or through the company official website to allow them to exercise all their rights to the fullest.

A summary of the creation of a special record at the Clearing Agency as part of the requirements for on-going monitoring of shareholders' data.

The Company has established a register of shareholders deposited with (Kuwait Clearing Company) through which the data relating to shareholders and their ownership is continuously monitored through continuous follow-up in the change of ownership and what arises from it.

Brief on how to encourage shareholders to participate and vote in the company's general assembly meetings.

The management of the company is keen to publish within enough time about the annual general meeting and invites all its shareholders to attend and vote the meetings through the advertising means and announces at sufficient intervals by means of another announcement to remind shareholders to attend the meetings.

Rule 9: Recognizing the roles of stakeholders

Brief about conditions and policies that ensure protection and recognition of the rights of stakeholders.

The company is committed to protecting the rights of all stakeholders and providing stability and sustainability through its good financial performance. The Stakeholder Protection Policy has been formulated and adopted to set guidelines on how to protect these rights. Appropriate mechanisms have also been put in place to facilitate the stakeholders' reporting to the company's board of directors of any improper practices they are exposed to by the company, while providing appropriate protection to the parties who report.

Brief on how to encourage stakeholders to keep track of the company's various activities

Stakeholders have an important and influential role in the success of the company's business. The Board realizes that the ultimate success of the company is the result of the joint efforts of many parties including shareholders, lenders and employees. The company's procedures, approved policies and practices emphasize the importance of respecting the rights of stakeholders in accordance with the relevant laws and regulations and systems. The company is working to encourage stakeholders to participate to follow up on the various activities of the company and has set up mechanisms and frameworks to ensure maximum benefit from the contributions of stakeholders and urge them to participate in the follow-up of its activities, in a manner consistent with achieving its interests to the fullest with providing stakeholders the right to get the information and data related to their activities.

Rule 10: Encourage and Enhance Performance

A summary of the application of the requirements for the development of mechanisms that allow Members of the Board of Directors and Executive Management to attend the training programs and courses regularly.

The company has set induction programs for newly appointed members and employees in order to ensure that they have an appropriate understanding of the company's workflow and operations, provided that these programs include the company's strategy, objectives, financial and operational aspects of all the company's activities, the legal and supervisory obligations of the members of the Board of Directors and the company, responsibilities and tasks assigned to them, as well as the powers and rights available to them, and the role of the committees emanating from the Board of Directors. The company also provides training programs and suitable workshops for both the current members of the board of directors and the executive management, related to the company's work, in order to develop their skills and experience and keep abreast of developments in a way that helps them to perform the tasks assigned to them.

Brief on how to evaluate the performance of the Board as a whole, and the performance of each Member of the Board of Directors and the Executive Management.

Each member submits his self-evaluation to the Board of Directors, and the Nomination and Remuneration Committee is responsible for managing the evaluation process, discussing the results of the performance evaluation, and identifying the strengths or weaknesses that have been identified. The members 'needs for training and development are determined in order to increase awareness of the main technical, financial and administrative aspects related to the company's activity.

An overview of the Board of Director's efforts in asserting the importance of corporate value creation with the employees at the company through achieving the company's strategic goals and improving key performance indicators

The board of directors is making efforts to create institutional values (value creation) for the company's employees by achieving strategic objectives and improving performance rates.

- The executive management shall hold regular meetings with all employees, managers and heads of departments in the company to find new ideas and to encourage all employees to communicate with the executive management and the board of directors.
- The human resources department develops an annual plan to train all employees on an annual basis in order to prepare them for executive and leadership positions in the future.
- In addition to the technical training programs selected by the departments for their employees.

Rule 11: Focus on the Importance of Corporate Social Responsibility

A summary of the development of a policy to ensure a balance between each of the company goals and society goals.

The Board of Directors has adopted a policy of social responsibility whereby Kuwait Pillars is keen that the company's social responsibility is integrated into the company's daily operations. It seeks coordination and communication between the company and all its functional units, as the commitment towards social responsibility is translated into specific goals and included in the companies' policies and procedures. And, with the emergence of the Corona pandemic, which attacked all countries of the world, the private sector has become in great challenge with the repercussions of this pandemic and its effects on the economic, social and health levels. From this standpoint, the company has taken all preventive procedures and measures to preserve the safety and health of its employees, by conducting work and meetings remotely, avoiding meetings and gatherings, as well as adhering to social distancing, wearing masks, sterilizing hands constantly, and securing everything necessary to adhere to these preventive measures.

Brief about the programs and mechanisms helping to highlight the company's efforts exerted in the field of social work.

Our Human Resources

The human element is the most important resource of the company, so it is important to keep all the social responsibilities towards it and to develop and apply a strong relationship between the company and its employees. Some of social practices adopted by the company in this frame are:

- Support national workforce.
- Provide an opportunity for fresh graduates to raise their abilities and contribution in society.
- Rewards and incentives for personnel in accordance with the principle of efficiency and trustworthy.
- Raise the morale of employees and spread the spirit of cooperation, motivation and encouragement among them.
- Training and development: the company has launched several courses and training programs aimed to develop the skills of its staff and to expand their knowledge.
- Safety and sound lifestyle.
- Staff members' commitment to work.
- Business diversification.
- Integrity and credibility of business.
- Recruitment and retention.
- The company's commitment to apply the related laws and regulations and executing them fairly with its employees.

Social Initiatives

In pursuit of company's management on social responsibility, which is one of the most important forms of distinguishing the Kuwaiti economy, which is full of many humanitarian initiatives, and in an effort to continue and be committed to performing the ethical role in accordance with the requirements of laws and public norms, Kuwait Pillars for Financial Investment has contributed to supporting the Kuwaiti Association for Down Syndrome by participating in some educational and rehabilitation activities organized by the association. It is one of the public benefit societies concerned with people with intellectual disabilities, especially the Down syndrome category, and among its goals is to take care of this group of both sexes and from all age groups to qualify them and develop their mental capabilities as well as their individual and collective skills to be effective elements in the society in which they live.

Support of National Workforce

One of the most important pillars of social responsibility for Kuwait Pillars is the concern for human development, especially for national cadres. During the year 2020, some employees were registered to attend online training programs and lectures organized by the Union of Investment Companies and Kuwait Foundation for the Advancement of Sciences, as well as attending lectures at The Chartered Institute for Securities & Investment "CISI" and Institute of Banking Studies to increase their practical experience to advance to the advanced professional level, which contributes to Promote the national economy.

The External Auditor's Confirmation of the Adequacy of the ICR Systems

Kuwait Pillars has contracted with an external audit office (independent of the company's external auditor) to ensure the integrity of the accounting records and other records and the company's internal control systems.

Which reported the integrity of the internal control and oversight systems for the fiscal year ending on December 31, 2020. The following is the certificate of the External Audit Office on reviewing the internal control systems:

A member of Nexia International

مكتب الواحة لتدقيق الحسابات
Al-Waha Auditing Office

التاريخ: 2021/3/16

السادة/ هيئة اسواق المال المحترمين

دولة الكويت

تقرير تقييم ومراجعة نظم الرقابة الداخلية (ICR)
لشركة كويت بيلارز للاستثمار المالي – ش.م.ك مقفلة
للسنة المالية المنتهية في 31 ديسمبر 2020

لقد قمنا بتقييم ومراجعة نظم الرقابة الداخلية لشركة كويت بيلارز للاستثمار المالي – ش.م.ك مقفلة للسنة المالية المنتهية في 31 ديسمبر 2020 ، وقد غطى الفحص البيئة الرقابية العامة للشركة والمطابقة والالتزام بقواعد حوكمة الشركات الصادر من هيئة اسواق المال ، ونظراً لجوانب القصور التي تكمن في أي نظام رقابة داخلية ، فقد تقع اخطاء او مخالفات قد لا يتم اكتشافها او تعقبها. كذلك فان صعوبة تقييم هذه الانظمة لفترات مستقبلية يخضع لمخاطر نظراً لأن معلومات الإدارة وإجراءات الرقابة قد تصبح غير كافية بسبب تغيرات في الظروف او نتيجة تدني درجة الإلتزام بتلك الاجراءات.

تتضمن إجراءات التدقيق الاستفسار من العميل وإختبار على اساس العينة للأدلة والمستندات التي تؤيد انظمة الرقابة الداخلية الموضوعة والمطبقة من قبل الإدارة والمطابقة والالتزام بقواعد حوكمة الشركات.

بناء على فحصنا لأنظمة الرقابة الداخلية لشركة كويت بيلارز للاستثمار المالي – ش.م.ك مقفلة ، نرى أن أنظمة الرقابة الداخلية الأساسية والمطابقة والالتزام بقواعد حوكمة الشركات بالشركة قد تم تطبيقها وفقاً لقواعد هيئة أسواق المال والسياسات والإجراءات الخاصة بالشركة ، باستثناء الأمور التي تم توضيحها في هذا التقرير.

د. علي عويد رخيص
مراقب حسابات –72أ
عضو في نكسيا الدولية - (انجلترا)
مكتب الواحة لتدقيق الحسابات

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Board of director's confirmation on the adequacy of internal audit control systems

The Board of Directors of Kuwait Pillars confirms that the company's internal control systems are continuously verified and efficient and that they are comprehensive, monitored and reviewed in a timely manner, within the framework of an organizational structure characterized by transparency and clarity and the limits of responsibility and accountability are monitored. The implementation of approved policies and procedures is monitored through the work the internal audit Dep. that reviews internal controls, duties and responsibilities in addition to the correct use of the powers granted with an emphasis on risk-based audit.

Audit Committee's annual report on internal audit procedures for accounts and other records and internal control systems

We have reviewed the internal auditors' reports for the year ending in 2020, which included auditing procedures, checking accounts and internal control systems for Kuwait Pillars for Financial Investment (KSCC) during the year ending December 31, 2020, under which they covered the examination and audit procedures as follows:

1. Corporate Governance (Board of Directors - Board Committees).
2. Asset Management (Local and Regional Investment - International Investment - Development and Private Equity - Anti Money Laundering).
3. Information Technology Department - Anti Money Laundering.
4. Human Resources and Administration - Anti Money Laundering.
5. Finance and Accounts - Anti Money Laundering.
6. Compliance - Anti Money Laundering.
7. Risk Management.

We have reviewed the reports of the Internal Audit Department on the examination and audit procedures to ensure that Kuwait Pillars complies with the regulatory requirements issued by the Capital Markets Authority and general guidelines issued by Central Bank of Kuwait regarding internal audit and internal control systems.

We would like to refer to our role as members of the audit committee and members of the board of directors, which includes designing, implementing and maintaining audit procedures and internal control systems. Taking into consideration the proportionality of the cost of the elements of these systems with the benefits expected from their application. And that the aim of this clarification is to provide appropriate and reasonable assurances of the adequacy of audit procedures, followed systems, risk management procedures, and compliance procedures to protect the assets and assets of the company that may result from irresponsible actions or uses, that risks are monitored and evaluated and that operations are carried out in accordance with approved and followed procedures of powers and authorizations. And it is recorded correctly.

In our opinion - taking into account - the nature and size of operations during the year ending on December 31, 2020, the accounting records, other records, audit procedures, internal control systems, the level of performance of risk tendency and the supervisory compliance procedures that we have reviewed, reviewed and examined, as well as measures to combat money laundering and terrorist financing, have been completed. Establishing and maintaining them in accordance with the requirements of the Capital Markets Authority regarding audit procedures, internal control systems, risk management, regulatory compliance procedures, in addition to the governance system, which are properly recorded and implemented.

Consolidated Financial Statements and Independent Auditor's Report For the year ended 31/12/2020

Contents Page

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Independent Auditor's Report

To the Shareholders of Kuwait Pillars for Financial Investment (K.S.C.C)

State of Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kuwait Pillars For Investment – K.S.C.C (the "Parent Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, 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 the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained the information that we deemed necessary for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016 and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended 31 December 2020 that might have had a material effect on the business of the Group or on its consolidated financial position.

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

Bader A. Al-Wazzan
Licence No. 62 A
Deloitte & Touche – Al-Wazzan & Co.

Kuwait, 12 April 2021

Consolidated Statement of Financial Position as at 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Assets			
Cash and cash equivalents	5	2,126,869	543,006
Financial assets at fair value through profit or loss	6	2,450,686	2,654,002
Financial assets at fair value through OCI	6	3,838,260	3,679,930
Investments at amortized cost	7	1,743,113	1,689,244
Receivables and other debit balances		318,842	308,315
Investment in an associate and joint venture	8	19,559,996	23,998,608
Investment properties	9	3,302,581	3,631,880
Finance receivables	10	4,186,548	6,070,697
Other assets		104,262	122,693
Total assets		37,631,157	42,698,375
Liabilities and equity			
Liabilities			
Payables and other credit balances	11	705,398	981,091
Due to banks	12	5,610,000	5,522,800
		6,315,398	6,503,891
Equity			
Share capital	13.1	30,000,000	30,000,000
Share premium		697,235	697,235
Statutory reserve	13.2	724,425	724,425
Voluntary reserve	13.3	72,441	72,441
Foreign currency translation reserve		13,295	13,453
Change in fair value reserve		175,708	17,378
Group's share of an associate's reserve		(2,156,549)	(2,195,407)
Treasury shares	14	(484)	(268)
Gain from sale of treasury shares		146,663	146,663
Retained earnings		1,643,025	6,718,564
Total equity		31,315,759	36,194,484
Total liabilities and equity		37,631,157	42,698,375

The accompanying notes form an integral part of these consolidated financial statements.

Ghazi Ahmed Al Osaimi
Chairman

Consolidated Statement of Income for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Revenues			
Management fees		36,499	42,335
Investments income	15	416,069	236,644
Shares of results from an associate	8	(450,872)	2,000,446
Interest income		361,923	470,833
Rental income		81,190	78,608
Impairment on investment in associate	8	(3,693,582)	-
Change in fair value of investment property	9	(912,723)	-
Other income		190,760	77,548
		(3,970,736)	2,906,414
Expenses			
Staff costs		615,028	805,186
General and administrative expenses		251,642	357,717
Depreciation		79,875	41,738
Interest expense		153,707	111,307
Provision	10	-	196
		1,100,252	1,316,144
Net (loss) / profit for the year		(5,070,988)	1,590,270

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	2020	2019
Net (loss)/profit for the year	(5,070,988)	1,590,270
Other comprehensive income items		
Items that are or may be reclassified subsequently to the consolidated statement of income		
Foreign currency translation differences	(158)	365
Group's share of an associate's reserves	38,858	(103,605)
	38,700	(103,240)
Items that may be not reclassified subsequently to the consolidated statement of income		
Change in fair value of investments at FVOCI	158,330	146,015
Total other comprehensive income items	197,030	42,775
Total comprehensive (loss) / income for the year	(4,873,958)	1,633,045

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Share Capital	Share premium	Statutory reserve	Voluntary reserve	Foreign currency translation reserve	Change in fair value reserve	Group's share of an associate reserve	Treasury shares	Gain from sale of treasury shares	Retained earnings	Total
Balance as at 1 January 2019	30,000,000	697,235	565,398	56,538	13,088	64,992	(2,091,802)	-	146,663	5,109,595	34,561,707
Net profit for the year	-	-	-	-	-	-	-	-	-	1,590,270	1,590,270
Other comprehensive income/ (loss) items	-	-	-	-	365	146,015	(103,605)	-	-	-	42,775
Total comprehensive income/ (loss)	-	-	-	-	365	146,015	(103,605)	-	-	1,590,270	1,633,045
Profit on sale of investments	-	-	-	-	-	(193,629)	-	-	-	193,629	-
Sale of treasury shares	-	-	-	-	-	-	-	(268)	-	-	(268)
Transfer to reserves	-	-	159,027	15,903	-	-	-	-	-	(174,930)	-
Balance as at 31 December 2019	30,000,000	697,235	724,425	72,441	13,453	17,378	(2,195,407)	(268)	146,663	6,718,564	36,194,484
Balance as at 1 January 2020	30,000,000	697,235	724,425	72,441	13,453	17,378	(2,195,407)	(268)	146,663	6,718,564	36,194,484
Net loss for the year	-	-	-	-	-	-	-	-	-	(5,070,988)	(5,070,988)
Other comprehensive (loss) / income items	-	-	-	-	(158)	158,330	38,858	-	-	-	197,030
Total comprehensive (loss) / income	-	-	-	-	(158)	158,330	38,858	-	-	(5,070,988)	(4,873,958)
Effect of change in ownership percentage of subsidiaries in associate	-	-	-	-	-	-	-	-	-	(4,551)	(4,551)
Purchase of treasury shares	-	-	-	-	-	-	-	(216)	-	-	(216)
Balance as at 31 December 2020	30,000,000	697,235	724,425	72,441	13,295	175,708	(2,156,549)	(484)	146,663	1,643,025	31,315,759

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2020

(All amounts are in Kuwaiti Dinar)

	Note	2020	2019
Cash flow from operating activities			
Net (loss)/profit for the year		(5,070,988)	1,590,270
Adjustments:			
Depreciation		79,875	41,738
Investment income	15	(416,069)	(236,644)
Share of result from an associate	8	450,872	(2,000,446)
Interest income		(361,923)	(470,833)
Impairment in associate	8	3,693,582	-
Change in fair value of investment property	9	912,723	-
Interest expense		153,707	111,307
Provisions charged during the year		-	196
Operating losses before changes in working capital		(558,221)	(964,412)
Receivables and other debit balances		(10,527)	24,082
Finance receivables		893,218	15,694
Payables and other credit balances		(275,693)	99,129
Net cash generated/ (used in) operating activities		48,777	(825,507)
Cash flow from investing activities			
Paid for purchase of investments		(671,133)	(2,914,460)
Proceeds from sale of investments		880,799	871,090
Paid for purchase of additional shares in an associate		(388,079)	(112,539)
Dividends received from an associate		690,761	687,599
Paid for addition to investment properties		(613,392)	(885,117)
Paid for purchase of property and equipment		(31,634)	(108,414)
Paid for purchase of investment held to maturity		(50,000)	-
Proceeds from sale of joint venture		1,099,131	-
Dividends received		323,433	242,649
Interest income received		361,923	470,833
Net cash (used in) / generated from investing activities		1,601,809	(1,748,359)
Cash flow from financing activities			
Due to banks		87,200	773,900
Finance cost paid		(153,707)	(111,307)
Paid for purchase of treasury shares		(216)	(268)
Net cash generated from financing activities		(66,723)	662,325
Net increase/ (decrease) in cash and cash equivalents		1,583,863	(1,911,541)
Cash and cash equivalents at the beginning of the year		543,006	2,454,547
Cash and cash equivalents at the end of the year	5	2,126,869	543,006

The accompanying notes form an integral part of these consolidated financial statements.

1. Incorporation and activities

Kuwait Pillars for Financial Investment-KSCC, the "Parent Company" is a Kuwaiti Shareholding Company incorporated in Kuwait in 1998 and is regulated by the Central Bank of Kuwait and Capital Markets Authority. The Parent Company was listed in the Kuwait Stock Exchange on 3 December 2008. On 8 July 2016 based on the shareholders extraordinary General Assembly meeting, the Company has voluntarily elected to delist from Kuwait stock exchange effective from 1 March 2016. The Company has obtained the approval from CMA to delist on 31 August 2015.

The objectives of the Parent Company are:

Financial investment operations in all economic sectors by all legal means deemed appropriate by the Parent Company to achieve its objectives inside and outside Kuwait for its benefit or others, including:

- Sale and purchase of financial securities for the Company and others with no violation to provisions of law.
- Lending or borrowing and issuing bonds as per Law and financing the foreign trade operations.
- Carrying out financial brokerage operations and managing investments for others.
- Providing and preparing studies and technical, economic and revaluation consultancies, as well as studying the related investment projects and preparing the necessary studies for those institutions and companies (provided the necessary conditions should be met).
- Establishing or participating in the establishing of companies of all types, objectives and nationalities and deal in selling and purchasing of shares, bonds and financial rights of those companies.
- Managing financial and real estate portfolios for the company and for others and investing and developing its customers' funds through placing them in all aspects of local and global investment.
- Investing in real estate, industrial, agricultural and other economic sectors either directly or by contributing in the establishment of specialized companies or purchasing shares or bonds of those companies in different sectors.
- Establishing, managing and marketing investment funds of all types as per Law.
- Carrying out the function of bonds issuing manager, which are issued by companies and authorities, and investment custodian's functions.
- Dealing and trading in the foreign exchange market and precious metals market inside and outside Kuwait for the company's benefit only.
- Providing all services that assist developing and supporting the ability of the financial and monetary market in Kuwait within limits of Law and as per CBK's instructions and procedures through offering new trading financial instruments or providing consulting services to Kuwait Stock Exchange's management and other services.
- Executing the activities of investment controller.

The Parent Company may have an interest or participate in any way in any entity that conducts similar business or which may assist it to achieve its objectives inside and outside Kuwait and it may also purchase such entities or affiliate thereof to it.

The Parent Company's registered office is at Al Qibla Tower, Fahed Al Salem Street, P.O Box 1346, Kuwait.

On 5th May 2020, the General Assembly for Shareholders of the Parent Company approved the Financial Statement for the year ended 31 December 2019 and also approved the Board of Director's recommendation not to distribute dividends.

The consolidated financial statements for the year ended 31 December 2020 were authorized for issue by the Parent Company's Board of Directors on 12th April 2021. The General Assembly for the shareholders has the authority to amend the consolidated financial statements after issuance.

The consolidated financial statements include the financial statement of the Parent Company and its subsidiaries, which are fully owned and mentioned below together referred to as "the Group".

Name	Country of Incorporation	Principal Activities
Strategia Investors Inc.	United States	Investment manager and advisor
Strategia Investors Service Limited	Antigua and Burmuda	Investment manager and advisor to a real estate fund
Strategia Private Equity Limited	Cayman Islands	Investment

For the purposes of consolidation, it had been relied on the audit financial statements of the Strategia Investors Inc. and the management accounts for other subsidiaries. The total assets of these subsidiaries amounted to KD 1,617,859 as at 31 December 2020 (KD 1,654,463 - 31 December 2019), and net loss amounted to KD 16,190 for the year ended 31 December 2020 (KD 23,129 for the year ended 31 December 2019).

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 for financial services institutions as issued by the Central Bank of Kuwait ("CBK") and the Capital market Authority "CMA" in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according 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 under the historical cost basis except for measurement of financial assets at fair value.
The impact of COVID-19 is disclosed in Note 19.

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 Changes in accounting policies and disclosures

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020:

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 the Group.

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

Amendments to IFRS 16: Covid-19 Related Rent Concessions
In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.
The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

This amendment is not applicable for the lessor, The Covid-19-Related Rent Concessions (Amendment to IFRS 16) has no material Impact on 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. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, 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.

2.2.2 New and revised IFRS Standards in issue but not yet effective

At the date of authorization of these consolidated financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 *Insurance Contracts*	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 *Reference to the Conceptual Framework*	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same or earlier.
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture* The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

2.3 Significant Accounting Policies

2.3.1 Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Parent Company and entities controlled by the Parent Company and its subsidiaries. Control is achieved when the Company (a) has power over the investee (b) is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affects its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three components of controls listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control over subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of income or other comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interest. Total comprehensive income of subsidiaries is attributed to the owners 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 into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of income as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed off.

Investments in associates and joint ventures

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations taken in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted in order to recognise the changes in the Group’s share of net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the investment’s carrying amount and is neither amortised nor individually tested for impairment. The consolidated statement of income reflects the Group’s share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group’s OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group’s share of results of an associate and a joint venture is shown on top of the consolidated statement of income off the operating profit and also represents the profit or loss after deducting tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the associate or joint venture. At each reporting date, the Group determines whether there is an objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as ‘Impairment of an associate or a joint venture’ in the consolidated statement of income.

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

2.3.2 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through consolidated statement of income are recognised immediately in consolidated statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Classification and measurement of financial assets

The Group classifies its financial assets as follows

- Financial assets at amortised cost
- Financial assets fair value through other comprehensive income (“FVTOCI”)
- Financial assets fair value through profit or loss (“FVTPL”).

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;

- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment of whether contractual cash flows are solely payments of principal and profit (SPPP test)

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPP test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Profit is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of profit rates.

Contractual terms that introduce a more than minimize exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payment of principal and profit. In such cases, the financial asset is measured at fair value through profit or loss.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognized in statement of income.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in the statement of income to the extent they are not part of a designated hedging relationship.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment’s revaluation reserve. The cumulative gain or loss will not be reclassified to statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

Impairment of financial assets

The Group applies the general approach to the creation of provisions against expected credit losses in accordance with IFRS 9 related to the financial instruments within cash and cash equivalents. The Group uses credit rating by external rating agencies to assess the credit risk exposure to these financial assets. These ratings are continuously monitored and updated.

Credit facilities - (Finance Receivables)

The CBK regulations require expected credit loss ("ECL") to be measured at the higher of the ECL on credit facilities computed under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instructions

Provisions for credit losses in accordance with CBK instructions

accordance with Central Bank of Kuwait instructions, a minimum general provision of 1% of all receivables net of certain restricted categories of collateral and not subject to specific provision. The specific provisions are recorded based on the duration of the past due of the Credit Facility as below, net of eligible collaterals:

Category	Criteria	Specific provisions
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%

ECL provision under IFRS 9 according to the CBK guideline

The ECL provision is based on the credit losses expected to arise over the life of the asset (the Life Time Expected Credit Loss or LT ECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' Expected Credit Loss (12m ECL).

The 12m ECL is the portion of LT ECLs that represent the ECLs that result from default events on a Credit Facilities that are possible within the 12 months after the reporting date.

Both LT ECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of Credit Facilities.

The Group has established policy to perform an assessment, at the end of each reporting period, of whether a Credit Facilities' credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the Credit Facility.

The Group classifies its Credit Facilities into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1: 12-month ECL

The Group measures loss allowances at an amount equal to 12-month ECL on financial assets where there has not been significant increase in credit risk since their initial recognition or on exposures that are determined to have a low credit risk at the reporting date. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally recognised definition of 'investment grade'.

Stage 2: Lifetime ECL – not credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but are not credit impaired.

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure value of collaterals determined in accordance with CBK guideline.

Significant increase in credit risk

At each reporting date, the Group assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are more than 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Credit Impaired

At each reporting date, the Group also assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are more than 90 days past due. All credit impaired financial assets are classified as stage 3 for ECL measurement purposes. Evidence of credit impairment includes observable data about the following:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as default or past due event
- The lender having granted to the borrower a concession, that the lender would otherwise not consider, for economic or contractual reasons relating to the borrower's financial difficulty

- The disappearance of an active market for a security because of financial difficulties
- Purchase of a financial asset at a deep discount that reflects the incurred credit loss

At the reporting date, if the credit risk of a financial asset or group of financial assets has not increased significantly since initial recognition or not credit impaired, these financial assets are classified as stage 1.

Calculation of ECL

The Group calculates ECL based on highest probable scenarios to measure the expected cash shortfalls, discounted at an approximation to the Effective Profit Rate. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognized and is still in the portfolio. The Group uses point in time PD (PITPD) for each rating to calculate the ECL. The minimum PD is 1% for Non-Investment Grade facilities and 0.75% for Investment Grade financing facilities except for financing facilities granted to Government and banks rated as Investment Grade by an external rating agency and financing transactions related to consumer and housing financing.
- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities. As per CBK requirements, the Group applies 100% Credit Conversion Factor (CCF) on utilized cash.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the financier would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Other than the above LGD estimation mechanics, the Group also complies with the guidelines mentioned in the CBK Instruction, as follows:

- The Group applies minimum 50% LGD on unsecured Credit Facility and minimum 75% LGD for unsecured subordinated financing receivable.
- The Group applies a minimum haircut to the collateral values as per CBK instructions.

As per Central Bank of Kuwait's (CBK) instructions, the Group measures loss provisions at an amount equal to 100% of net exposure i.e. after deduction from the amount of exposure to identified collaterals including 100% of loss given default of irregular payment (non-performing) cases as per CBK's instructions concerning rules and bases of classifying the credit facilities, investment and funding operations mentioned above as of the date of meeting the conditions of irregularity and/or based on the customer's financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in statement of income.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

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

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognized in statement of income.

2.3.3 Investment properties

Investment properties held by the Group are the properties held for capital appreciation or to earn rental income. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investments properties are carried out at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. Depreciation on the building is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful life of 39 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the year of derecognition.

2.3.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. In situations, where it is clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalized.

Depreciation is calculated based on estimated useful life of the applicable assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets' residual values, useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Gains or losses on disposals are determined by the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of income.

2.3.5 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Impairment losses are recognised in the statement of income for the period in which they arise. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3.6 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the consideration expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

2.3.7 End of service indemnity

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at termination of employment, regarding the labour in other countries; the indemnity is calculated based on law identified in these countries. Such payment is made on a lump sum basis at the end of an employee service. Defined benefit plan is un-funded and is based on the liability that would arise on involuntary termination of all employees on the financial position date. This basis is considered to be a reliable approximation of the present value of the Group's liability.

2.3.8 Revenue recognition

Gain on sale of investments is recognised at the completion of the transaction. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis based on the maturity dates of the related assets by using the effective yield method. Management and subscription fees are recognized when the services are provided.

2.3.9 Leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in statement of income.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of income, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

2.3.10 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Kuwaiti Dinars' (KD), which is the Parent Company's functional and the Group's presentation currency.

Transactions and balances

Foreign currency transactions are translated into Kuwaiti Dinars using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Foreign exchange gains and losses are resulted from the settlement of such transactions and from the translation at year-end in the statement of income.

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows (other than companies which are operating in high inflation countries):

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial position.
- Income and expenses for each statement of income are translated at average exchange rates.
- All resulting exchange differences are recognized as a separate component of other comprehensive income items.

2.3.11 Dividends

Dividend distribution to the Parent Company's shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Parent Company's shareholders.

2.3.12 Fiduciary assets

Assets which are kept by the Group as an agency or under a fiduciary capacity are not considered as Group's assets.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies.

(a) Market risk

Foreign currency risks

The Group is exposed to the risk of foreign currency resulting primarily from dealing in financial instruments with US Dollar. The risk of foreign exchange is resulting from future transactions on financial instruments in foreign currency recorded in the consolidated financial statements of the Group.

The Group has set policies for managing foreign exchange risk through careful monitoring of changes in currency rates and its respective impact on the financial position of the Group, during the year. Also the Group is dealing with financial institutions with high experience in this field to provide the Group with necessary advisory in case of any significant change in foreign currencies' rates.

In case of a change in the US Dollar against the Kuwaiti Dinar by 5% as at 31 December, the Group's loss would have changed by KD 76,899 and equity would have changed by KD 71,282 (profit KD 73,423 and equity KD 7,644 - 2019).

Following is the net position of the foreign currencies as at 31 December:

	2020	2019
US$ Surplus	1,617,859	1,615,572

Price risk

Price risk is the risk arising from fluctuation of financial instrument value resulting from changes in market price. For managing this risk, the Group is monitoring market prices of these investments, and performing a periodic evaluation of the financial statements of the investees and determining its fair values through financial data available for these investments.

The following sensitivity analysis shows the impact of the change in the index of the stock market on the Group's equity. This analysis is based on the index change by 5% with all other variables held constant.

	Impact on equity	
	2020	**2019**
Kuwait Stock Exchange	29,567	29,547

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 interest rate risk arises from bonds. The bonds placed at variable rates expose the Company to cash flow interest rate risk.

The Group manages interest rate risk by diversification of interest rates between fixed and variable and borrowing funds at market linked floating interest rates and placing time deposits at the best available rates.

At 31 December 2020, if interest rates at that date had been 0.25% higher/lower with all other variables held constant, loss for the year would have been lower/higher by (KD 529) (KD 17,861 - 2019).

The Group is managing this risk by locking the deposits for a short-term period relatively. The Group is periodically studying the factors related to interest rates to assess the possibility of an increase or decrease in interest rates for future periods, and the related impacts on the Group's cash flows and profits in addition to take the necessary action in order to mitigate such impact.

(b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

Credit risk is managed by the Group by monitoring credit policy on regular basis taking into account to maintain non-concentration of credit risk.

Credit risk is highly concentrated in cash and cash equivalents, bonds, receivables and finance receivables. The Group keeps its cash and cash equivalents in financial institutions with high credit reputation and invests in bonds which have been issued from financial companies and institutions with high credit reputation. The Group grants credit only within the limits of the requirements and the normal course of business taking into consideration its financial position, past experience and reputation.

Maximum exposure to credit risk

An analysis of the Groups financial assets before taking into account other credit enhancements is as follows:

	2020	2019
Cash at banks	2,126,869	543,006
Receivables	264,457	265,363
Finance receivables	4,186,548	6,246,042
Investments at amortized cost	1,743,113	1,689,244
	8,320,987	8,743,655

Note 10 shows aging analysis of finance receivables and movement of provision.

Credit risk measurement

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. One of the main activity of the group that generates revenue is lending to customers. Credit risk is therefore a principal risk. Credit risk arises mainly from financing receivables. The Group considers all elements of credit risk exposure, such as default risk, geographic risk and sector risk for risk management purposes.

In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral values which is amounted to KD 8,475,240 against the finance receivable as of 31 December 2020 providing coverage percentage of 202%, as a mean of mitigating the risk of financial loss from defaults. The group only transacts with entities that are rated the equivalent of investment grade. Investment at amortised cost as detailed in note 7, where the counterparties have a minimum BBB credit rating, are considered to have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information. The Group's exposure and the credit ratings of its counterparties are continuously monitored as well as the aggregate value of transactions.

The finance receivable balances as at the end of the year of KD 4,186,548 (2019: KD 6,070,697) is due from NIG, the group's related party with a good credit rating. Apart from that the group does not have other exposures.

Also, the Group manages the credit risk by setting credit policies focus on careful assessment of creditworthiness of borrowers, in addition to the identification of the necessary guarantees received from the customers as well as setting a credit approval limit.

The Group utilizes collaterals in reducing balances that are exposed to credit risk to an acceptable level. The credit policy identifies the type of collateral required for each type of transaction. The bases for assessment of those collaterals and the frequency of such assessment are also determined.

The Group measures the credit risks in terms of the asset's credit quality using two main methods, namely provisions proportion and non-performing finance receivables proportion. The non-performing finance receivables proportion is the ratio of non-performing finance receivables to the total finance receivables.

The Group's current credit risk grading framework comprise the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12- Months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write – off	There is evidence indicating that the debtor is in severe financial difficulty and the Group have no realistic prospect of recovery	Amount is written off

However, the ECL provision on these balances are not material to the Group's consolidated financial statements. The credit risk for bank balances and trade receivable is considered negligible, since the counterparties are reputable financial institution with high credit quality and no history of default, as well as the trade receivable is a minor amount, which majorly comprise of staff receivable. Based on the management assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly.

Moreover, as per the CBK guidance, the company is supposed to report the higher of ECL or provision as per CBK regulations (note 2.3.2).

Assessment of expected credit losses

The Group considers a financial asset to be in default and therefore Stage 3 (credit impaired) for ECL calculations when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group; or
- borrower is considered as credit impaired based on qualitative assessment for internal credit risk management purposes.

Any credit impaired or stressed facility that has been restructured would also be considered as in default.

The tables below detail the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades:

31 Dec 2020	Note	External Credit Rating	Internal Credit Rating	12-month or lifetime ECL	Gross Carrying amount	Loss allowance	Provision	Net carrying amount
Finance receivable	10	BBB	BBB	12 Month ECL	4,239,287	Nil	52,739	4,186,548
Investment held to maturity	7	A2-Baa3	A2-Baa3	12 Month ECL	1,750,000	6,887	-	1,743,113

The Group do not hold any financial guarantee contracts as of 31 December 2020

Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 30 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria's do not indicate a significant increase in credit risk.

The potential for default is that the obligor may fail to meet its obligations in the future. IFRS 9 requires the use of probability of default separately for a period of 12 months or over the life of the instruments based on the stage distribution for the obligor. The probability of default used in IFRS 9 should reflect the Group's estimate of the quality of the asset in the future.

The calculation is based on statistical models. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

Exposure at default

Exposure at default ("EAD") represents the amount which the obligor will owe to the Group at the time of default. The Group considers variable exposures that may increase the EAD in addition to the drawn credit line. These exposures arise from undrawn limits and contingent liabilities. Therefore, the exposure will contain both on and off-balance sheet values. EAD is estimated taking into consideration the contractual terms such as rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, usage given default, etc.

Loss given default

Loss given default ("LGD") is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For all unsecured credit facilities, the Group considers a minimum of 50% LGD for senior debt and 75% LGD for subordinated debt.

Incorporation of forward-looking information

The Group considers key economic variables that are expected to have an impact on the credit risk and the ECL in order to incorporate forward looking information into the ECL models. These primarily reflect reasonable and supportable forecasts of the future macro-economic conditions. The consideration of such factors increases the degree of judgment in determination of ECL. The Group employs statistical models to incorporate macro-economic factors on historical default rates. The Group considers 3 scenarios (baseline, upside and downside) of forecasts of macro-economic data separately for each geographical segments and appropriate probability weights are applied to these scenarios to derive a probability weighted outcome of expected credit loss. The management reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

(c) Liquidity risk

The liquidity risk is the risk that the Group becomes unable to settle its liabilities when due.

The management of liquidity risk is mainly to maintain sufficient balance of cash, highly liquid financial instruments and financial resources are made available to meet the needs of liquidity.

The Group monitors liquidity risk by maintaining Group of highly liquid financial investments. This facilitates the Group, the availability of liquidity when needed. In addition, the Group studies the extent of liquidity in these investments on a regular basis and adjusts the components of these assets when this is necessary.

All outstanding liabilities as at 31 December 2020 and 2019 mature within one year from the consolidated financial statements date.

3.2 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the equity balance.

The capital structure of the Group consists of equity of the Group comprising issued capital, reserves and retained earnings. The Parent Company's current strategy is to rely on the self-finance for the Group's activities instead of depending on debts, and to maintain the external finance at minimum.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities are determined as follows:

- Level one: Quoted prices in active markets for identical financial instruments.
- Level two: Quoted prices in an active market for similar instruments. Quoted prices for identical assets or liabilities in market that are not active. Inputs other than quoted prices that are observable for assets and liabilities.
- Level three: Inputs for the asset or liabilities that are not based on observable market data.

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The table below gives information about how the fair values of the financial assets are determined:

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31/12/20	31/12/19				
Equity instruments designated as FVTPL						
Quoted Shares	2,450,686	2,654,002	1	Last bid price	-	-
Equity instruments designated as FVTOCI					-	-
Quoted Shares	2,718,043	2,389,361	1	Last bid price	-	-
Unquoted shares	1,120,217	1,290,569	3	Net book value	Book value adjusted with market risk	The higher market risk the lower the fair value

The fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis approximately equals their carrying values as at the consolidated financial statements date.

4. Critical accounting estimates and judgments

In the application of the Group's accounting policies, the management are required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period of the revision and future periods if the revision affects future periods.

During the year, the outbreak of COVID-19 pandemic has brough disruptions in business operations of the Company and the economies in which the Company operates. Consistent with its risk management framework, the management has followed prudent steps in minimizing the impact on key risk parameters. Refer note 20 for details.

Judgements

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

Classification of investments in equity instruments

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has designated all investments in equity instruments as at FVTOCI as these investments are strategic investments and are not held for trading.

Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value measurements and valuation techniques

Certain assets and liabilities of the Group are measured at fair value for the purposes of preparing the financial statements. The Group's management determines the main appropriate techniques and inputs required for measuring the fair value. In determining the fair value of assets and liabilities, management uses observable market data as appropriate, in case no observable market data is available the Group uses an external valuer qualified to do the valuation. Information regarding the required valuation techniques and inputs used to determine the fair value of financial assets and liabilities is disclosed in notes (3.3 and 10).

Impairment ECL of financial assets

The Group estimates ECL for all financial assets carried at amortised cost or fair value through other comprehensive income except for equity instruments.

Significant judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing group of similar financial assets for the purpose of measuring ECL.

Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each statement of financial position date based on existence of any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and it carrying value and recognises the impairment loss in the consolidated statement of profit or loss.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets (Note 8).

5. Cash and cash equivalents

	2020	2019
Cash at banks	2,125,009	542,068
Cash on hand	1,422	500
Cash in investment portfolios	438	438
	2,126,869	543,006

6. Financial Investments

Financial assets at fair value through profit or loss

	2020	2019
Quoted shares	2,450,686	2,654,002

Financial assets at fair value through other comprehensive income

	2020	2019
Quoted shares	2,718,043	2,389,361
Unquoted shares	1,120,217	1,290,569
	3,838,260	3,679,930

The fair value has been determined based on valuation basis mentioned in note (3.3).

The Group has pledged quoted securities with carrying amount of KD 3,031,922 against the credit facilities (Note 12).

7. Investments at amortized cost

The effective interest rates on these bonds is 4.2% per annum (5.85% - 2019). The bonds have maturity dates ranging between 4 to 9 years from the end of the reporting period. The balance includes an amount of KD 896,488 represented in bonds which have been issued by related parties (Note 16).

8. Investment in an Associate and Joint Venture

8.1 Investment in an Associate

Company's name	Country of Incorporation	Principal Activities	Proportion of ownership interest (%)	
			2020	2019
Kuwait Financial Centre	Kuwait	Investment management and financial advisory	29.86	28.89

The Group's share in the associate's result and reserves are calculated using equity method based on the audited financial statements for the year ended 31 December 2020. Summarized financial information of the associate as at 31 December is as follows:

	2020	2019
Total assets	192,164,000	191,378,000
Total liabilities	100,147,000	105,707,000
Revenues	13,161,000	23,491,000
Profits for the year	(1,715,000)	6,957,000
Total other comprehensive income	(1,566,000)	6,599,000
Dividend received from the associate during the year	690,761	687,599

Movement on investments balance in the associate during the year are as follows:

	2020	2019
Balance as at 1 January	23,972,825	22,651,044
Additions during the year	388,079	112,539
Cash dividends	(690,761)	(687,599)
Group's share in associate's results	(450,872)	2,000,446
Group's share in associate's reserves	38,858	(103,605)
Impairment on associate	(3,693,582)	-
Effect of change in ownership percentage of subsidiaries of associate	(4,551)	-
	19,559,996	23,972,825

The fair value of investment in an associate amounted to KD 11,493,282 (KD 14,505,988 – 2019) based on quoted price on Kuwait stock exchange which is Level 1 as at the consolidated financial position date.

An assessment is made at each consolidated statement of financial position date to determine whether there is objective evidence that an associate may be impaired. The impact of COVID - 19 on the financing industry is such a trigger event. Kuwait financial centre (Markaz) is engaged in the business of financial services under a license from the CMA.

The economic effect of COVID-19 pandemic had negative effect on the business of the associate in addition to the share price fall of approximately 25% compared 2019 trigged impairment indications.

Investments in associates is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount. The recoverable amount is determined based on the higher of value-in-use calculations and fair value less cost to sell.

In order to assess the impairment in associate management have used multiple techniques relevant to the nature and operations of the associate to determine the fair value less cost to sell in addition to the discounted cash flows method to determine the value in use.

Following are the key assumption used in determining the value in use calculation;

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	2.5% per annum, considering the pandemic effects on GDP (Gross Domestic Product)
Discount rate	Discount rates range from 10% to 20% per annum. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The management has used the market approach and net asset value (NAV) approach to estimate the fair value of its investment in the associate using the past three years financial data with applying discount factors ranging from 10-20% to certain assets classes held by the associate while applying the NAV, these are mainly financial assets and investment properties.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in the aggregate carrying amount.

Based on the above analysis, the Group recognized an impairment loss of KD 3,693,582 during the year as the recoverable amount of Markaz has fallen below the carrying amount as at 31 December 2020.

The Group has pledged 115 Mio shares of its associate with carrying amount of KD 9,257,500 against the credit facilities (Note 12).

8.2 Investment in joint venture

During the year, the company sold its joint venture of KD 25,784 which resulted in a gain of KD 883,967. This amount is presented in the consolidated statement of income for the year ended 31 December 2020. (Note 15).

9. Investment properties

The movement for the investment properties is as follows:

	2020	2019
Balance as at 1 January	3,631,880	2,775,981
Additions during the year	613,392	885,117
Depreciation during the year	(29,968)	(29,218)
Change in Fair Value	(912,723)	-
Closing as at 31 Dec	3,302,581	3,631,880

The investment properties are located outside Kuwait and categorised as follow:

	2020	2019
Land	2,352,139	2,652,536
Developed property	950,442	979,344
	3,302,581	3,631,880

The fair value of investment properties amounted to KD 3,678,230 as at 31 December 2020 (KD 3,640,778 – 2019) has been determined based on valuations prepared by independent valuers, the independent valuers are licensed from relevant regulating bodies, and are industry specialised in valuing such type of investment properties.

During the year, the company have recorded impairment loss for its Land located in Sharjah of KD 912,723.

The rental income generated from the developed land is KD 81,190, (YE 2019 KD 78,608).

The land is valued based on income approach, adopting discounted cashflow method (Level 3).

The fair value of developed property was determined based on capitalization of net income method (Level 3), where the market rental of all rentable units of the properties are assessed by reference to the rental achieved and letting of similar properties in neighbourhood.

In estimating the fair value of the properties, the highest and best use of the property is its current use.

10. Finance receivables

Finance receivables are represented in commercial loans granted to related parties. The effective interest rate on these finance receivables is 3.750%. The fair value of the collaterals held against certain finance receivables is KD 8,475,240 as at 31 December 2020 (KD 9,203,446 – 31 December 2019). The following is an analysis of outstanding balances and related provision.

	2020	2019
Gross balance of commercial loans	4,291,566	6,246,041
Less: deferred revenue	(52,279)	(109,177)
	4,239,287	6,136,864
Less: Provision for credit losses – CBK general provision	(52,739)	(66,167)
Balance as at 31 December	4,186,548	6,070,697

The balances of receivables as at 31 December 2020 and 31 December 2019 do not include matured past due, or impaired balances, and the entire balance is under stage 1 for the purpose of the ECL measurement.

The finance receivables (gross) amounted to KD 4,291,566 as at 31 December 2020 mature within one year.

The general provision for credit losses is calculated in accordance with the instructions of the Central Bank of Kuwait.

The movements on the general provision for credit losses is as follows:

	2020	2019
Balance at 1 January	66,167	65,971
Charged to consolidated statement of income	-	196
Reversal	(13,428)	-
Balance at 31 December 2020	52,739	66,167

The ECL for finance receivables to customers as at 31 December 2020 is KD Nil Which is lower than the provision for impairment of finance receivables to customers required by CBK.

11. Payables and other credit balances

	2020	2019
Accrued expenses	61,183	88,047
Staff leave and other benefits	585,345	728,514
Others	58,870	164,530
	705,398	981,091

12. Bank facilities:

	2020	2019
Bank facilities	5,610,000	5,522,800

The average interest rate on the credit facilities is 6% and the maturity date is 1 October 2021. The following assets are pledged against bank facilities as at 31 December 2020:

- 115,000,000 shares of investments in associate (Note 8).
- 8,932,335 shares of quoted investments (Note 6).

13. Share capital and reserves

13.1 Share capital

As at 31 December 2020, the issued and paid-up share capital is KD 30 million distributed over 300 million shares with a nominal value of 100 fils each (30 million distributed over 300 million shares with a nominal value of 100 fils each - 2019), and all shares are in cash.

13.2 Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit before Board of Directors' remuneration, National Labour Support Tax, Zakat expense and KFAS are transferred to statutory reserve. When the balance of the reserve exceeds 50% of share capital, the General Assembly is permitted to discontinue this transfer. The reserve could be utilized to secure payment of a dividend of 5% of share capital in years when retained earnings are not sufficient for payment of dividends. However, during the year ended no transfer have occurred due to the losses.

13.3 Voluntary reserve

In accordance with the Parent Company's Articles of Association, 1% of net profit before Board of Directors' remuneration, National Labour Support Tax, Zakat expense and KFAS as proposed by the Board of Directors and approved by the General Assembly is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the General Assembly based on the proposal of the Board of Directors. However, during the year ended no transfer have occurred due to the losses.

14. Treasury shares

	2020	2019
Number of shares	20,277	10,873
Percentage of issued shares (%)	0.007	0.004

The Parent Company is required to retain reserves and retained earnings equivalent to the cost of treasury shares throughout the year, in which they are held by the Parent Company, in accordance with the instructions of the relevant regulatory authorities. These shares are not pledged. During the year, the Group purchase treasury shares amounting to KD 216.

15. Investments income

	2020	2019
Cash dividends	324,811	242,649
Gain on sale of joint venture	883,967	-
Gain on reversal of provision	3,869	-
Loss on change in fair value of investments through profit & loss	(796,578)	(6,005)
	416,069	236,644

16. Related party transactions

Related parties are the shareholders of Parent Company who are represented in Board of Directors as well as major shareholders and the companies in which any of its members is at the same time a board member in the Company's Board of Directors and associated companies. In the ordinary course of business, the Group has carried out some transactions during the year with related parties. Transactions and balances are included in the consolidated financial statements are as follows:

	2020	2019
Transactions		
Remuneration of Key management personal		
Salaries and other short-term benefits	330,516	466,989
End of service indemnity	44,834	54,662
Committee remuneration	-	70,000
Interest income – Shareholders	309,464	405,107
Balances		
Investments at amortized cost (Note 7)		
Associate	298,822	248,969
Share holders	597,666	590,785
Finance receivable (Note 10) - Shareholders	4,186,548	6,070,697
Payables and other credit balances	453,052	641,913

Finance receivable details are disclosed in note 10.

Related parties' transactions are subject to approval of shareholders' general assembly.

17. Fiduciary Assets

The Group manages portfolios on behalf of customers and maintains cash balances and securities in fiduciary accounts which are not reflected on the Group's consolidated financial statements. The aggregate net asset value held in a fiduciary capacity by the Group is KD 19,507,096 as at 31 December 2020 (KD 21,770,501 as at 31 December 2019).

18. Segment information

In the purpose of management, the Group organizes its operations in two main sectors of business. The following are the main activities and services that are underlined in such two sectors.

Investment activities: Investing in securities, funds, properties lending to corporate and individual customers and managing the Group's liquidity requirements.

Asset management and advisory services: Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related financial services.

Management 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 the return on investments. The Group does not have any significant inter-segment transactions.

The following table presents segment revenues, profits, assets and liabilities related to the Group's business segments:

	2020		
	Investment activities	Asset management and advisory services	Total
Segment revenues	(4,007,235)	36,499	(3,970,736)
Net loss	(5,107,487)	36,499	(5,070,988)
Segment assets	37,555,078	76,079	37,631,157
Segment liabilities	6,289,086	26,312	6,315,398

	2019		
	Investment activities	Asset management and advisory services	Total
Segment revenues	2,864,079	42,335	2,906,414
Net profit	1,547,935	42,335	1,590,270
Segment assets	42,614,203	84,172	42,698,375
Segment liabilities	6,440,989	62,902	6,503,891

Geographical distribution of Group's revenues, profits, assets and liabilities is set out below:

	2020			
	Middle East	USA	Europe	Total
Segment revenues	(5,052,642)	125,397	956,508	(3,970,736)
Net loss	(6,061,438)	44,859	945,591	(5,070,988)
Assets	36,201,249	1,427,861	2,047	37,631,157
Liabilities	6,289,085	26,313	-	6,315,398

	2019			
	Middle East	USA	Europe	Total
Segment revenues	2,609,749	194,252	102,413	2,906,414
Net profits	1,382,142	115,891	92,237	1,590,270
Assets	39,837,751	1,647,838	1,212,786	42,698,375
Liabilities	6,440,989	37,818	25,084	6,503,891

19. Impact of COVID-19

The World Health Organization declared on March 11, 2020 the Novel Coronavirus (Covid-19) as a global pandemic. This event has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group operates in economies that are relatively dependent on the crude oil prices. At the reporting date, oil prices have witnessed unprecedented volatility and decline. The Group is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption, due to COVID-19 outbreak, on its operations and financial performance.

The Group has performed an assessment of COVID-19 implications on the financial results of the Group and incorporated the outcome in these consolidated financial statements and explained the changes in light of the available guidance of IFRS related to critical judgments and estimates for the year ended 31 December 2020.

Valuation estimates and judgements

The Group has considered potential impacts of the current market volatility in determination of the reported amounts of the Group's unquoted financial assets, this represents management's best assessment based on observable available information as at the reporting date. Given the impact of COVID-19, the Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements is disclosed in Note 2.3.2.

Impairment of non-financial assets and Investment properties

The Group has considered any impairment indicators arising and any significant uncertainties around its investment's properties and associate, and concluded that the impairment losses booked during the year for these investment of KD 912,723 and KD 3,693,582 represent the best estimate of the pandemic impact and the assets values reported as of 31 December 2020 represent the best recoverable amounts that would be achieved for transactions between market participants in the current scenario.

Markets however remain volatile and the recorded amounts remain sensitive to market fluctuations. Based on the external third-party expert and management expert, the Group's management believes that recorded amounts represent the best estimate in light of the available information.

Going concern

The Group has performed as assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements have been appropriately prepared on a going concern basis.