Corporate Governance Report & Financial Statements **2020**

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KIPCO
شركة مشاريع الكويت (القابضة)
Kuwait Projects Company (Holding)

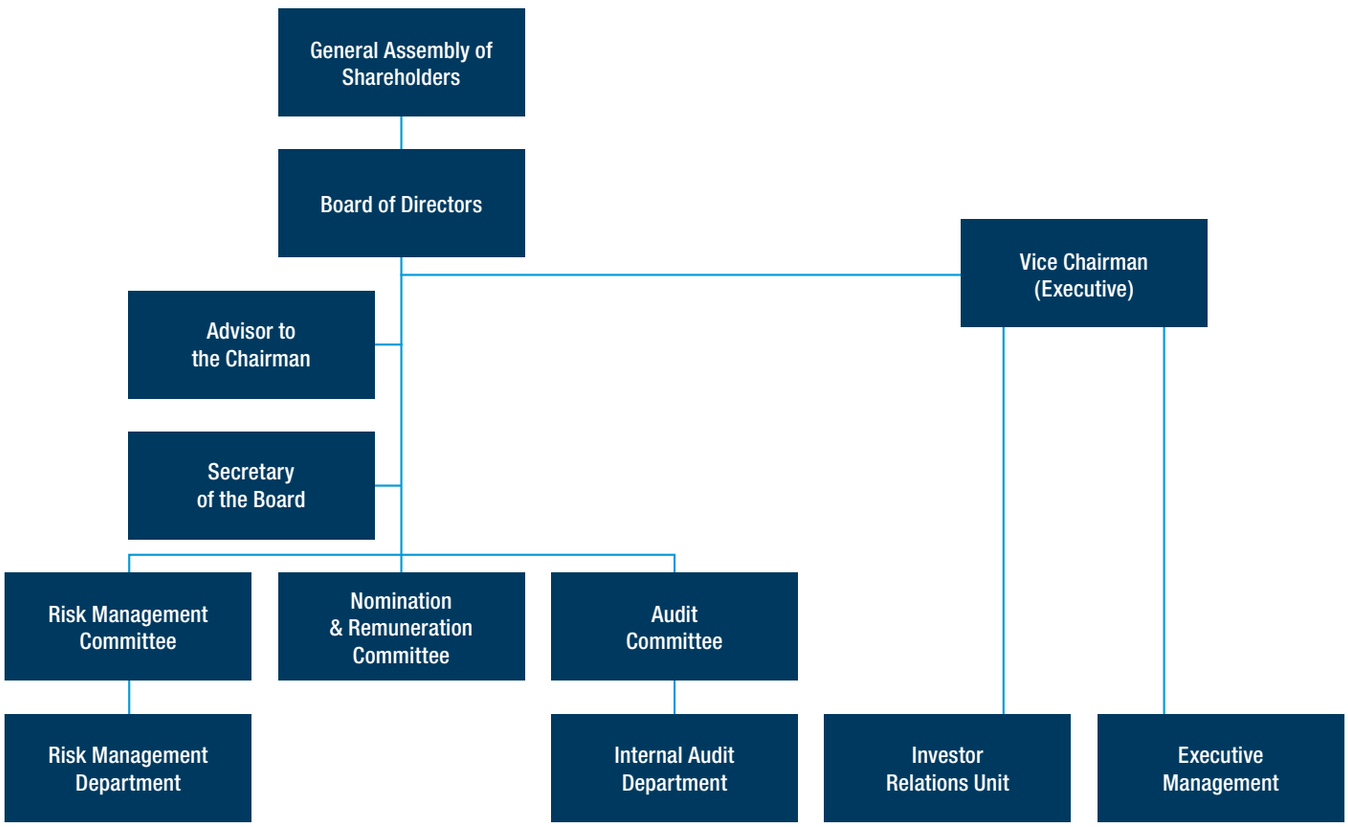
KIPCO Corporate Governance Report 2020

Introduction:

Kuwait Projects Company (Holding) – KIPCO – seeks to adhere to the highest standards and best practices to ensure sound corporate governance activities, in line with the corporate governance framework for companies listed on the Kuwait Boursa's Premier Market. The principles of corporate governance have been put in place to support the company in its strive to achieve sustainable growth and protect the interests of its shareholders. KIPCO outlines its corporate governance guidelines in its corporate governance guide, endorsed by the Board of Directors in line with Module 15 of the CMA amended bylaws. Corporate governance is an integral part of KIPCO's culture.

KIPCO holds its Annual 'Shafafiyah' Transparency Investors' Forum following the company's Annual General Assembly. The forum sheds light on the results of the previous year and presents an outlook for the coming one. Questions from shareholders, financial analysts and representatives of the media are answered, and a live webcast of the event is broadcast on KIPCO's website. KIPCO is the first listed company in Kuwait to hold such an annual forum for investors.

KIPCO's corporate governance framework:



Rule I: Construct a Balanced Board Composition

A brief on the formation of the Board of Directors, as follows:

KIPCO's Board of Directors comprises five members, the majority of whom are non-executives, one independent member and one executive member. The Board of Directors elects the Chairman and Vice Chairman in a secret ballot. The Board of Directors reviews the formation of the Board in line with the CMA Law and the Companies' Law.

Name	Membership (Executive - Non-Executive - Independent)/Board Secretary	Qualifications & Experience	Election date/ Appointment of Board Secretary
Sheikh Hamad Sabah Al Ahmad Al Sabah	Chairman	Sheikh Hamad Al Sabah holds several positions in local and international companies, among them are: ■ Chairman of the Saudia Dairy & Foodstuff Company (SADAFCO) - Saudi Arabia ■ Chairman of Gulf Egypt Hotels & Tourism Company – Egypt ■ Chairman of Masharea Al Khair Charity Organization – Kuwait Sheikh Hamad Al Sabah studied in Kuwait, Lebanon and the USA. He has dedicated his time and effort to developing KIPCO and making it one of the largest groups in the region, with investments in many sectors including banking, media, insurance, real estate, industry and education. Sheikh Hamad Al Sabah founded the Masharea Al Khair Charity Organization to which the KIPCO Group companies make contributions, and which supports projects in Kuwait of medical and social nature, especially people with special needs.	June 17, 2020
Mr Faisal Hamad Al Ayyar	Vice Chairman (Executive)	Mr Faisal Al Ayyar is the Executive Vice Chairman of the Kuwait Projects Company (Holding). He joined KIPCO in 1990 when it was a US$ 220 million regional investment company. Under his stewardship, KIPCO has developed into one of MENA's leading holding companies with interests in financial services, media, real estate, manufacturing and education, operations in 24 countries and consolidated assets of over US$ 34 billion. Of note is his leading role in the creation and development of OSN, the region's largest pay-tv company, the development of SADAFCO, a leading dairy and foodstuff producer in Saudi Arabia, and the expansion and subsequent sale of Wataniya Telecom (now Ooredoo), a major regional mobile operator. Mr Faisal Al Ayyar currently holds several positions in local and international companies, among them are: ■ Chairman of Panther Media Group (OSN) – Dubai, UAE ■ Vice Chairman of Saudia Dairy & Foodstuff Company (SADAFCO) – Saudi Arabia ■ Vice Chairman of Gulf Insurance Group – Kuwait ■ Vice Chairman of United Gulf Bank – Bahrain ■ Vice Chairman of United Gulf Holding Company – Bahrain ■ Vice Chairman of Jordan Kuwait Bank – Jordan ■ Vice Chairman of Masharea Al Khair Charity Organization – Kuwait ■ Board Member of Gulf Egypt Hotels & Tourism Company – Egypt ■ Board of Trustees Member of the American University of Kuwait – Kuwait ■ Honorary Chairman of the Kuwait Association for Learning Differences – Kuwait Mr Al Ayyar began his career as a fighter pilot with the Kuwait Air Force. Honors include the Arab Bankers Association of North America's 2005 Achievement Award, the Tunis Arab Economic Forum and the Beirut Arab Economic Forum 2007 Achievement Awards and the Kuwait Economic Forum 2009 Award for his contribution to the investment sector and successes in the global financial market. Mr Al Ayyar was recognized by Kuwait's Al Anba newspaper as the leading business and investment personality for 2018.	June 17, 2020

Mr Abdullah Yacoub Bishara	Independent	Mr Abdullah Bishara held several positions in his political career as a diplomat: ■ 1960: Joined the Kuwaiti diplomatic corps ■ 1964-1971: Director of the Foreign Minister's Office ■ 1971-1981: Kuwait's Ambassador to the United Nations ■ 1979: President of the Security Council for the month of February 1979 ■ 1981-1993: Secretary General of the Gulf Cooperation Council ■ Member of the GCC Advisory Board since 1998 ■ Board Member of Saudia Dairy & Foodstuff Company (SADAFCO) – Saudi Arabia ■ Advisor to research centers, a columnist and a lecturer in diplomacy and strategy ■ President of Diplomatic Center for Strategic Studies ■ Coordinator of the Kuwaiti-British Friendship Society Mr Bishara graduated from Cairo University's College of Arts in 1959 and studied at Oxford University between 1961 and 1962. He studied diplomacy and foreign relations in the USA and received his master's degree in Political Sciences in 1973.	June 17, 2020
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah	Non-Executive	Sheikh Abdullah Al Sabah currently holds several positions in Kuwait. They are: ■ Chairman of Kamco Invest – Kuwait ■ Vice Chairman of Al Daiya Real Estate Company – Kuwait ■ Board Member of United Gulf Bank – Bahrain Sheikh Abdullah Al Sabah is a graduate of the Royal Military Academy, UK. He holds a bachelor's degree in Business Administration from the New York Institute of Technology, USA.	June 17, 2020
Sheikha Futtouh Nasser Sabah Al Ahmad Al Sabah	Non-Executive	Sheikha Futtouh Al Sabah is a Board Member of Kuwait Projects Company (Holding). She holds a bachelor's in International Relations from Webster University – Geneva, and a Masters in Middle and Near East Studies from SOAS University – London.	June 17, 2020 to December 9, 2020
Sheikha Dana Nasser Sabah Al Ahmad Al Sabah	Non-Executive	Sheikha Dana Nasser Al Sabah currently holds several positions in Kuwait. They are: ■ Founder & Chair of the Board of Trustees of the American ■ University of Kuwait (AUK) – Kuwait ■ Chairperson of United Education Company (UEC) – Kuwait ■ Board Member of Kamco Invest – Kuwait ■ Board Member of Gulf Insurance Group – Kuwait Sheikha Dana Al Sabah graduated from Kuwait University with a BA in English Literature. She also holds an Honorary Doctorate in Human Letters from Dartmouth University, USA, and studied at Indiana University in Bloomington, USA.	December 9, 2020
Mr Khaled Abdul Jabbar Al Sharrad	Secretary of the Board	Mr Khaled Al Sharrad is KIPCO's Group Chief HR and Admin Officer. He is a Board Member in several companies in Kuwait, among them are: ■ Chairman of IKARUS United Marine Services – Kuwait ■ Board Member of Kuwait Furniture Manufacturing Company (KUFUMA) – Kuwait ■ Board Member of the Kuwait Association for Learning Differences – Kuwait Mr Al Sharrad holds a bachelor's degree in Administration from St. Edwards University in Austin, Texas-USA, and is a certified professional in personnel management from the Royal Institute of Public Administration – London.	June 17, 2020

A brief on the Board of Directors' meetings:

KIPCO's Board of Directors held meetings in 2020 in line with the requirements of the CMA's corporate governance framework, as per the following table:

Meetings of KIPCO's Board of Directors in 2020

Board Member	Meeting #1 6/2/2020	Meeting #2 30/5/2020	Meeting #3 17/6/2020	Meeting #4 23/6/2020	Meeting #5 13/8/2020	Meeting #6 12/11/2020	Meeting #7 9/12/2020	Total meetings
Sheikh Hamad Sabah Al Ahmad Al Sabah (Chairman)	√	√	√	√	√	√	√	7/7
Mr Faisal Hamad Al Ayyar Vice Chairman (Executive)	√	√	√	√	√	√	√	7/7
H.E. Mr Abdullah Yacoub Bishara (Independent)	√	√	√	√	√	√	√	7/7
Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Non-Executive)	√	√	√	√	√	√	√	7/7
Sheikha Futtouh Nasser Sabah Al Ahmad Al Sabah (Non-Executive)*	√	√	√	√	√	√	-	6/7
Sheikha Dana Nasser Sabah Al Ahmad Al Sabah (Non-Executive)**	-	-	-	-	-	-	√	1/7

*Board membership tenure ended on December 9, 2020

**Elected Board Member by General Assembly on December 9,2020

A brief on registering, coordinating and archiving Board minutes of meetings

The Board Secretary provides the Board Members with sufficient information about the items that will be discussed at least three working days before the meeting (unless there is an emergency meeting that necessitates inviting the members within a shorter period of time) to enable them to take the appropriate decisions. He also records all the minutes of the meeting in a dated and serialized record, including an attendance sheet for the present members and a note of their voting on the decisions taken during the meeting.

Rule II: Establish Appropriate Roles and Responsibilities

Defining the roles, responsibilities and duties of Board Members and the Executive Management, as well as the delegation of authority provided to Executive Management:

The company is managed by an elected Board of Directors, which is formed as per the company's bylaws that outline the number of members and their tenure. The Board Members have the experience necessary to perform their duties in an effective manner in the interest of the company. They dedicate enough time and attention to their duties as Board Members, in line with the roles outlined in the company's memorandum of association and the Board of Directors' charter.

The Board of Directors is committed to putting in place a corporate governance framework and a mechanism for its implementation with the highest integrity, transparency, conduct and professionalism in the best interest of shareholders and stakeholders.

The company has outlined the duties and authorities of the Board of Directors and the Executive Management through the approval of the Board of Directors' charter and authority matrix. The following is a summary of the delegated authorities:

- **Authorization from the Board of Directors to its committees (Committees of the Board of Directors):** The Board of Directors, through specific decisions made during its meetings, has established committees comprising Board Members. It has delegated to them some authority. Each committee's bylaws outline its specific role and delegated authorities.

  The Board of Directors reviews on an annual basis the terms of reference for each committee. If any committee's activities are suspended, the delegated authority automatically returns to the Board.

- **Authorization from the Board of Directors to the Chairman:** The Board of Directors has delegated to the Chairman the authority of the Board. The Chairman is the legal spokesperson and representative of the Board. In the Chairman's absence, the Vice Chairman (Executive) performs the duties of the Chairman.

- **Authorization from the Chairman to the Vice Chairman:** The Chairman has delegated to the Vice Chairman some of the authorities and responsibilities of the Board of Directors. This includes, but is not limited to, monitoring and supervising the Executive Management to ensure that it is operating accordingly to approved policies and procedures, placing performance standards to ensure target achievement, and outlining the company's strategies.

- **Authorization from the Board to the Executive Management:** The Board of Directors has delegated to the Executive Management all roles and responsibilities listed within their roles and responsibilities. The Board retains the right to delegate additional duties or rescind any authority that has been given to the Executive Management.

Achievements of the Board of Directors in 2020:

The Board of Directors held seven meetings during the financial year ended December 31, 2020, in addition to decisions taken via written resolution. Below are the outcomes of the Board meetings:

- Approval of the issuance of US dollars bonds outside the State of Kuwait under the umbrella of the company's program to issue medium-term securities in euros (EMTN) of US$ 3 billion.
- Review of the company's goals, strategies, plans and policies.
- Approval of the Group's estimated annual budgets, as well as the quarterly and annual financial statements.
- Application of the corporate governance framework and active supervision of its implementation in line with the CMA Law.
- Supervising the performance of the Executive Management team.
- Implementing the mechanism for dealing with related parties and eliminating conflict of interest.
- Ensuring the effectiveness of internal policies and the general framework for risk management on a periodic basis.
- Review and approval of the company's policies and procedures.

Formation of Board of Director's Committees:

KIPCO's Board of Directors formed committees in line with the CMA Law and its bylaws, as well as the corporate governance framework. The committees meet regularly in line with regulations, with full legal quorum, and the committee secretary takes down the minutes of meetings that includes the decisions made by the committee.

Committee	Formation date & tenure	Members	Duties & achievements during the year	No. of meetings
Audit Committee	The Board of Directors elected the members of the Audit Committee as recorded in the Board minutes of meeting number 3/2020, dated 17/6/2020. The tenure was set in parallel with that of the Board of Directors (three years).	▪ Mr Abdullah Yacoub Bishara (Committee Chairman) ▪ Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Member) ▪ Sheikha Futtouh Nasser Sabah Al Ahmad Al Sabah (Member)	▪ Review periodic and annual financial statements to ensure their soundness and integrity and refer them to the Board for approval. ▪ Make recommendations to the Board on the appointment of external auditors and monitor their performance. ▪ Study accounting policies and provide recommendations to the Board. ▪ Evaluate the efficiency and effectiveness of the internal control system and prepare a report thereto. ▪ Supervise the company's Internal Audit Department. ▪ Ensure the company's compliance with related laws, policies and instructions and review the reports of the regulatory authorities. ▪ Appoint an independent auditor to prepare the Internal Control Review Report for 2020, in line with the CMA's requirements in relation to corporate governance. ▪ Prepare the Audit Committee Report and present it to the Board for approval and reading at the company's General Assembly.	6 meetings
Nomination & Remuneration Committee	The Board of Directors elected the members of the Nomination & Remuneration Committee as recorded in the Board minutes of meeting number 3/2020, dated 17/6/2020. The tenure was set in parallel with that of the Board of Directors (three years).	▪ Mr Abdullah Yacoub Bishara (Committee Chairman) ▪ Mr Faisal Hamad Al Ayyar (Member) ▪ Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Member)	▪ Making recommendations to the Board on nominations of a member of the Executive Management. ▪ Reviewing the policy for the remuneration of Board Members and Executive Management. ▪ Reviewing the job descriptions for the Executive, Non-Executive and Independent Board Members. ▪ Ensuring the independency of Independent Member. ▪ Preparing annual reports that contain overall remunerations granted to Board Members and the Executive Management.	4 meetings
Risk Management Committee	The Board of Directors elected the members of the Risk Management Committee as recorded in the Board minutes of meeting number 3/2020, dated 17/6/2020. The tenure was set in parallel with that of the Board of Directors (three years).	▪ Mr Abdullah Yacoub Bishara (Committee Chairman) ▪ Mr Faisal Hamad Al Ayyar (Member) ▪ Sheikh Abdullah Nasser Sabah Al Ahmad Al Sabah (Member)	▪ Assisting the Board of Directors in putting in place suitable strategies and goals for risk management and making recommendations that are in line with the nature and size of the company's activities. ▪ Reviewing risk management strategies and policies before they are endorsed by the Board of Directors and ensuring the implementation of these strategies and policies in line with the natural and size of the company's activities. ▪ Assessing the systems and mechanisms of internal supervision to determine and observe the different risks that the company may encounter. ▪ Assisting the Board of Directors in determining and assessing the acceptable level of risk, to ensure that that the company does not go beyond that level after Board approval.	4 meetings

Requirements that allow Board Members access to information and data in an accurate and timely manner:

The Secretary of the Board of Directors secures the proper receipt and distribution of reports related to the work of the Board and the documents and the agenda in a timely manner. Board Members have full and immediate access to all information, documents and records related to the Group, which is arranged and organized in a manner that is easily accessible to the Members of the Board and the Committees when needed. The Executive Management provides the Board of Directors and its committees with all the required documents and information through a solid and modern information structure that provides periodic reports that allow for taking decisions in an appropriate and timely manner.

Rule III: Recruit Highly Qualified Candidates for the Members of the Board of Directors and the Executive Management

A brief on the rules of the formation of the Nomination & Remunerations Committee

The Nomination and Remuneration Committee comprises three members from the Board of Directors, taking into consideration that they are non-executive members. The committee is chaired by the independent member. Members with appropriate professional and administrative experience were chosen in line with the nature of the committee's responsibilities and that of the company, in order to accommodate all technical requirements and developments related to the workflow.

Report on the remunerations granted to Board Members and Executive Management:

Board remunerations:

Board remunerations are subject to the approval of the General Assembly in its annual meeting, based on the recommendation of the Nomination & Remuneration Committee.

The overall proposed remuneration for the Board Members is KD 220,000 for 2020. This is in addition to KD 120,000 granted to a Non-Executive Board Member in compensation for consultative services.

Executive Management remunerations:

The remuneration system for the Executive Management is linked to the company's performance and the achievement of long-term growth goals. It is in line with the size, nature and level of risk related to each position. The remunerations include a fixed sum that includes salaries, bonuses and other incentives, as well as a variable sum that includes stocks options and other variable bonuses.

The following table outlines the remunerations granted to the Executive Management in 2020.

KD thousand	Fixed remunerations	Variable remunerations	Total
Members of the Executive Management (12 members)*	2,906	578	3,484

* Includes the fees of the Vice Chairman (Executive), for supervising the Executive Management

Rule IV: Safeguard the Integrity of Financial Reporting

The Board of Directors and the Executive Management's written undertakings of soundness and integrity of financial reporting:

The Executive Management pledges to the Board of Directors that KIPCO's financial statements have been presented soundly and justly, and that these statements include all aspects of the company's financial activities. The financial statements have been prepared in accordance with international financial reporting standards approved by the CMA and other regulatory authorities. Similarly, KIPCO's Board of Directors pledges that it will present the company's financial statements in a sound, just and accurate manner to shareholders and investors.

A brief of the rules governing the Audit Committee formation:

The Audit Committee comprises three members, one of whom is independent. The Chairman or Executive Members of a Board of Directors are not members in such committee. In addition, the committee includes at least one member who holds an educational qualification and has practical experience in the investment and financial fields. There is no contradiction between the recommendations of the Audit Committee and the decisions of the Board of Directors issued during the fiscal year 2020.

Independence and objectivity of the external auditor:

An auditor is appointed with the approval of the General Assembly, following a recommendation from the Board of Directors. This came after the Audit Committee ensured that the auditor is registered with the CMA and has fulfilled all requirements of the CMA in relation to the registration of auditors. During the Annual General Assembly held on June 17, 2020, the shareholders appointed Ernst & Young and RSM Albazie as the external auditors for the financial year 2020. Ernst & Young and RSM Albazie are qualified and completely independent from the company and the Board of Directors. The external auditor executes an annual independent audit and a quarterly review, with the aim of ensuring that the financial statements are being prepared in line with international financial reporting standards approved by Kuwait's regulatory authorities.

Rule V: Apply Sound Systems of Risk Management and Internal Control

A brief on the requirements of forming an Independent Risk Management Unit:

An independent risk management unit was established, and its policies were approved by the Board of Directors based on a recommendation by the Risk Management Committee. Risk management is a main requirement for sound corporate governance. It represents the joint responsibility of the company's members of management, as well as the responsibility of the management and employees, such that they understand the importance of risk management and carry out their duties in line with the general risk management framework. This serves to assist the management in supporting sound corporate governance and achieving sound practices in general.

A brief on the rules of the Risk Management Committee formation:

The Board of Directors formed a Risk Management Committee comprising three members, chaired by a non-executive board member, and it was taken into consideration that the Chairman would not be a member of this committee for more authority and independence. The tenure of this committee has been set at three years as defined by its charter, which also defines how it functions. This committee answers and reports directly to the Board of Directors.

A brief on internal control systems:

KIPCO's Board of Directors is responsible for internal control and reviewing its effectiveness in safeguarding assets, maintaining sound financial statements, and revealing mistakes and violations. The Board is committed to reviewing the Audit Committee report on outcomes of internal control activities and periodic reports on supervisory activities. Internal control also includes placing a clear organization structure, documenting policies and procedures, allocating authorities and delegation, and performance monitoring mechanisms that are established to oversee the company's operations effectively and regularly.

The company has implemented an internal control system to reasonably guarantee the effectiveness of operations. This includes internal control regulations, including those related to financial and operational activities, as well as adhering to laws and regulations. The Board of Directors regularly reviews these procedures through its main committees, and the effectiveness of the controls is reviewed from time to time as per the company's flow of operations. Related regular reports are presented to the Audit Committee.

A brief on implementing the requirements for forming an independent Internal Audit Unit:

The Internal Audit Department sets the audit policies and procedures that help the company implement corporate governance through the continuous assessment of Management's implementation of the internal control system. This is in addition to assessing the internal control means and procedures to provide recommendations to improve them in the interest of maintaining the efficiency and effectiveness of internal processes. As such, the Board of Directors has delegated to the Internal Audit Department, through the Audit Committee, the related duties and responsibilities. The Internal Audit Department enjoys complete technical autonomy and reports to the Board's Audit Committee.

One of the most important responsibilities of KIPCO's Internal Audit Department is providing the Board and Executive Management with an independent and objective opinion on the internal controls in place, the necessary guarantees to support the company's activities, enhancing the effectiveness of controls, risk management and corporate governance operations.

The independence of the Internal Audit Department is vital to the success of its audit assignments. Therefore, the Internal Audit Department presents its reports to the Board's Audit Committee. The Audit Committee approves the Internal Audit Department structure, charter, policies and plans, risk assessment methodology, and assess the department's achievements and performance. The Board Audit Committee meets independently with the Group Chief Audit Executive on a quarterly basis.

Rule VI: Promote Code of Conduct and Ethical Standards

A brief on the Charter of Professional Conduct which outlines the code of conduct and ethical standards:

The Charter of Professional Conduct and Ethics is an important part of governance for KIPCO, and both the Board of Directors and the Executive Management are keen on adherence to this charter as part of the Group's daily operations. This includes dealing with employees and all third parties. The charter is revised periodically to ensure that it keeps up with updates and developments in the areas of governance and professional conduct. The Board oversees the effective implementation of the charter with regards to all audit and internal control activities to determine any gaps and take measures to manage them.

Policies and mechanisms to limit cases of conflict of interest:

The company's policies and procedures pertaining to conflict of interest have been put in place in line with CMA requirements. The policy outlines that the company is committed to carrying out its activities in a just, honest and sound manner in the interest of maintaining good, long-term interests with stakeholders. The policy helps guarantee that no individual will abuse any deal or transaction the company is party to. The Audit Committee is generally responsible for this policy, and this responsibility includes overseeing and reviewing the implementation of the basic procedures and regulations outlined in the policy.

Rule VII: Ensure Timely and High-Quality Disclosure and Transparency

Mechanisms for presenting accurate and transparent disclosures that define the aspects, scope and specifications of a disclosure:

The disclosure and transparency policy is periodically reviewed by the Audit Committee before it is approved by the Board of Directors. The company adheres to all disclosure requirements, where current and potential stakeholders require accurate information in a timely manner and with clarity. This is to allow for comparison in order to assess the company's performance, type of ownership, management proficiency, including administrative and operational information. The stakeholders can thus oversee their interests and their decision-making is made easier. The purpose of this policy is to increase accountability within the company and Management towards stakeholders in general, in the form of providing accurate and relevant information that allows stakeholders to understand the governance, strategy, policies, activities and practices of the company and therefore assess its performance with ease. The company discloses fundamental information on a regular basis, in line with the legal and organizational requirements. The policy also aims to put in place a mechanism that prevents insider trading through timely and comprehensive market disclosures.

Requirements of the register of disclosures by Board Members and Executive Management:

The company has established a special updated register that resides with the Compliance Unit and includes disclosures by Board Members and the Executive Management regarding holding or dealing in shares of the company and the Group on Boursa Kuwait, in line with CMA requirements with regards to dealings by insiders.

Implementation of the requirements of the formation of the Investors Relations Unit:

As part of KIPCO's commitment to work closely with its current and potential investors, the company prepared an investors relations policy that has been approved by the Board of Directors. It has also put in place a clear set of policies governing investor relations, thereby allowing them access to the company's documents and necessary information in a timely manner, and this information is updated periodically. Access is granted through several means, including the company's website which includes important information for investors such as investors presentations, in addition to the quarterly and annual performance disclosures, profit statements, analyst conferences following the financial results and annual reports. The Investors Relations Unit promotes credibility and trust through the quality of the relationship between the company and the shareholders, and is keen to understand their needs to obtain more information and explanation, and answer their queries in a timely manner.

Developing the IT infrastructure for the disclosure process:

The company develops the information technology infrastructure on a regular basis to ensure that all shareholders, investors and stakeholders can obtain the updated information and data they need in a timely manner. This allows them to exercise their rights through the company's website, which includes access to detailed information about the company and its Board of Directors and Executive Management, as well as the company's main activities and financial statements. The website also includes a section on corporate governance and disclosures, listed under investor relations.

Rule VIII: Respect the Rights of Shareholders

Rules of identifying and protecting the general interests of shareholders to ensure fairness and equality amongst all shareholders:

The Board of Directors and the Executive Management declare that it is their responsibility to represent the interests of all shareholders and increase value. The Board of Directors guarantees the respect of shareholder equity, in a manner that achieves fairness and equality as per the related laws, regulations and policies and the company's memorandum of association.

It also encourages communication with shareholders through active participation in the Ordinary and Extraordinary General Assemblies, giving them the full right to vote on items on the agenda, with each shareholder holding a number of votes equal to the number of shares they own. Shareholders who do not attend have the right to vote through proxy. KIPCO holds its Annual 'Shafafiyah' Transparency Investors' Forum, during which it presents its shareholders with a summary of the previous year's activities and achievements and gives an overview of outlook for the company.

A brief on creating and maintaining a special record at the clearing agency, as part of the requirements of the on-going monitoring of shareholders' information:

The shareholder registry is maintained by Kuwait Clearing Company, which is directly responsible for keeping the registry. Shareholders have the right to review the registry, in line with the procedures and laws set by Kuwait Clearing Company.

Encouraging shareholders to participate and vote in the company's general assembly meetings:

The right of participation by shareholders in the meeting of the company's general assemblies and voting on resolutions thereof is an inherent right for all shareholders regardless of the different levels thereof. The company shall extend a call for shareholders to attend the general assembly based on an invitation from the Board of Directors within three months after the end of the financial year and upon necessity. The Board of Directors may call for a general assembly to meet based on a reasoned request by shareholders owning not less than 10% of the company's capital or a request by the Auditor within 15 days as of the date of such request. The company shall extend the call for shareholders to attend the general assembly, including the agenda, time and place of holding such meeting through announcement in two daily newspapers. Another announcement shall be made as a reminder a week before the date of the general assembly, in addition to publishing the invitation on Boursa Kuwait's website and the company's website along with confirming that any shareholder shall be entitled to authorize another person to attend to the general assembly in accordance with a special proxy. The Members of the Board of Directors may not participate in voting on the general assembly resolutions concerning limitation of the responsibility thereof, to management regarding a private interest for their own selves, their spouses, or first-degree relatives; or a conflict between them and the company.

The company shall allow shareholders, prior to holding the general assembly with sufficient time, to have access to all information and data related to the agenda, and in particular the reports of the board of directors and the Auditor and financial statements through the company's website and visiting the company's head office.

Rule IX: Recognize the Roles of Stakeholders

Conditions and policies that ensure the protection of the rights of stakeholders:

The company is committed to applying clear-cut procedures in managing transparency, open dialogue and communication with its stakeholders, in that it has set policies and procedures to protect and recognize stakeholder rights in compliance with the general principles of stakeholders.

Encouraging stakeholders to keep track of the company's various activities:

Mechanisms have been put in place to facilitate stakeholders' ability to inform the Board of Directors of any wrongdoing their encounter at the company. Sufficient protection has also been provided for whistleblowers. Below is a summary of the main responsibilities towards stakeholders, which in turn encourages their participation and engagement in the company's activities:

- Developing open and transparent communication channels directly with stakeholders through the website.
- Overseeing the activities of the company with efficiency, integrity and effectiveness.
- Dealing with stakeholders directly and clearly, with respect and honesty.
- Respecting the laws and regulations.

Rule X: Encourage and Enhance Performance

The requirements of developing mechanisms that allow the Board Members and Executive Management to attend the training programs and courses regularly:

The policies and procedures related to training Board Members and the Executive Management aim to develop skills and increase knowledge. The purpose of this policy is to train the Board Members and Executive Management and to acquaint them with the latest in the areas of administration, finance, economy and corporate governance, as well as risk management and any updates to relevant laws and regulations.

Assessment of the performance of the Board of Directors as a whole, as well as the individual Board Members and the Executive Management:

The performance of the Board of Directors, its Members, Committees and the Executive Management is done through main performance indicators. These are tools to measure financial and non-financial development, or the performance of the company and its advancement towards achieving its goals. These indicators can also be used in all types of reports to assess the effectiveness of the Board and Management in achieving their targets.

The main performance indicators for the Board of Directors and the Executive Management cover the development taking place in the main strategic performance and operational indices for the Board Members and the Executive Management team. They provide basic information about the nature of these main performance indicators, propose means to develop these indicators and quantitative ways to analyze them. The methodology for placing a performance indicator system is as follows:

1. Determining the need
2. Determining the stakeholders
3. Determining who is responsible
4. Selecting the main performance indicators required
5. Preparing measurable indicators
6. Using the main performance indicators
7. Reviewing the main performance indicator assessment system

The efforts of the Board of Directors to create value for employees in the company, through achieving strategic goals and improving performance rates:

The company has established a culture of abiding by rules and regulations in the interest of growing corporate values, development, achieving the company's strategic goals, and enhancing the performance levels through:

- Enhancing brand value and raising the level of trust of stakeholders, partners, societies and governments in the company.
- Allowing group work, where everyone dedicates their efforts to achieving the company's common goals.
- Encouraging self-monitoring and providing protection that exceeds that of external supervision alone.
- Increasing employees' confidence in themselves, where they understand work values and introduce them to others.
- Having a sense of professional responsibility and high professionalism, which motivates employees to show sound professional conduct.
- Spreading the concept of adherence to laws and regulations, which helps employees work in an environment of high-performance discipline and commitment to regulations.

Rule XI: Focus on the Importance of Corporate Social Responsibility

A brief on developing a policy that ensures balance between the company goals and society objectives:

The company has established a policy to ensure a balance between each of the company's goals and society's goals, approved by the Board of Directors.

A brief about the programs and mechanisms used that help highlight the company's efforts in the field of social work:

KIPCO is a leading company in Kuwait, and as such it gives back to the society and seeks its development through focusing on corporate social responsibility. KIPCO's CSR practices focus on three main areas related to social and individual development, and they are education, the development of young people and health. There are many activities and initiatives that KIPCO and its Group companies have supported. This includes the Kuwait Association for Learning Differences (KALD), which is an NGO that works with children who have learning difficulties.

KIPCO also holds its annual CSR forum, Sharakah, in collaboration with the Kuwait Foundation for the Advancement of Sciences (KFAS). The forum brings together NGOs and civil societies to attend six workshops over the course of three days, presented by local and international CSR experts. This forum helps societies build their own capacity and develop the means through which they serve their humanitarian and charitable causes. It is also an opportunity to bring these organizations in contact with large private sector companies and organizations that contribute to society.

The company also supports youth activities and initiatives, where KIPCO and its Group companies have been supporting The Protégés mentorship program through a ten-year strategic partnership that began in 2013. Other youth programs that KIPCO is involved in is the partnership with INJAZ-Kuwait to increase work readiness among students, and the KIPCO Tmkeen Award for Young Entrepreneurs launched in 2015 to support the growing number of young business owners.

In 2018, KIPCO launched its online initiative, 'Athar', that highlighted four chosen SME's over the span of six months. One SME will win the chance to take part in a learning hub coordinated with one of KIPCO's subsidiaries.

Also in 2018, KIPCO also received an Advertising Creativity Award at the Arab Media Forum due to its contribution during the year for its community activities.

KIPCO participated in supporting women through women empowerment programs such as the 'Kuwait Distinguished Women Award' (KDWA) which has been designed in alignment with 'New Kuwait 2035' vision for the State of Kuwait and is in line with the UN Sustainable Development Goals 2030. The participation of KIPCO supports this award through its seat on the judging panel and representing the private sector in highest committee.

KIPCO, in association with Burgan Bank, launched in 2019 an initiative titled 'Munjiza'. Munjiza highlights those extraordinary women and their work by providing them with a platform to share their work. Munjiza also builds a community where women can strengthen and create partnerships for future collaborations. The concept of this initiative stemmed from the KIPCO Sharakah Forum and its partnership theme, its concept ensured the start of Munjiza.

In 2020, the world was taken off-guard by COVID-19, lockdowns were imposed and the world has shut down. Therefore in June 2020, KIPCO launched "ALAAN" application, a community application that serves to share experiences and information to members of the Kuwaiti community, and especially spreading optimism and shedding a positive perspective on trends and events given the onset of the pandemic. It also covers developments in the society. ALAAN provides opportunities for all citizens and residents to participate in a variety of topics that underscore national unity and pride in our culture, customs and traditions.

In October 2020, KIPCO launched its 'Generation Alpha' initiative, which sheds light on young athletes aged 7 to 12 in order to share their stories to inspire young viewers to pursue their passions and empower a new generation of real role models. A total of 15 highly talented, carefully selected young Kuwaitis were interviewed in two settings: one special episode that aired exclusively on ALAAN application and another special production of the interviews aired exclusively on AlRai TV.

For more information about the company's CSR activities, please visit csr.kipco.com

Consolidated Financial Statements

31 December 2020

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Kuwait Projects Company Holding K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary 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.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

Key Audit Matters (continued)

Expected credit losses (ECL) on loans and advances
Loans and advances of the Group's commercial banking subsidiaries represent a significant part of the total assets. The implementation of IFRS 9: Financial Instruments (IFRS 9) significantly changed the approach to determine the provisions against financial assets and incorporated a more forward-looking approach to determine the recoverability of the financial assets. Recognition of ECL under IFRS 9, is a complex accounting policy, which requires considerable judgement in its application. ECL is dependent on management's judgement in assessing significant increase in credit risk on initial recognition and significant increase in credit risk subsequently at reporting date for classification of credit facilities into various stages, determining when a default has occurred, review of models for assessing the probability of default of customers and estimating cash flows from recovery procedures or realization of collateral.

Furthermore Covid-19 pandemic has significantly impacted management's determination of ECL. The assumptions regarding the economic outlook are more uncertain which, combined with the government's response (as it pertains to deferral programs and government stimulus package), increases the level of judgement required by the Group in calculating the ECL, and the associated audit risk.

Due to the significance of credit facilities, the related estimation uncertainty and judgements applied and the Group's exposure to loans and advances forming a major portion of the Group's assets, ECL for loans and advances is considered as a key audit matter.

As part of our audit of the commercial banking subsidiaries our audit procedures included:

- Gaining an understanding of the Group's key credit processes comprising granting, booking, monitoring and provisioning and testing the key controls over these processes;

- We obtained the understanding of the design and tested the relevant controls over ECL model, including model build and approval, ongoing monitoring / validation, model governance and arithmetical accuracy. We have also checked completeness and accuracy of the data used and the reasonableness of the management assumptions;

- We understood and assessed the significant modeling assumptions for exposures as well as overlays with a focus on:
  - Key modeling assumptions adopted by the Group; and
  - Basis for and data used to determine overlays.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

Key Audit Matters (continued)

Expected credit losses (ECL) on loans and advances (continued)

- We assessed:
  - the Group's IFRS 9 based impairment provisioning policy including significant increase in credit risk criteria with the requirements of IFRS 9;
  - the Group's ECL modelling techniques and methodology against the requirements of IFRS 9; and
  - the soundness of the Group's loan grading processes and mathematical integrity of the models.

- For a sample of exposures, we performed procedures to evaluate:
  - Appropriateness of exposure at default, probability of default and loss given default (including collateral values used) in the calculation of ECL;
  - We have checked appropriateness of the Group's staging criteria, exposure at Default ("EAD") Probability of Default ("PD") and Loss Given Default ("LGD") including the eligibility and value of collateral considered in the ECL models used by the Group and the overlays considered by the management in view of the ongoing Covid-19 pandemic, in order to determine ECL.
  - Timely identification of exposures with a significant increase in credit risk and appropriateness of the Group's staging; and
  - ECL calculation.

- For forward looking information used by the Group's management in its ECL calculations, we held discussions with management and checked internal approvals by management for the economic outlook post consideration of Covid-19 pandemic impact used for purposes of calculating ECL.

We further considered the adequacy of the disclosures in the consolidated financial statements in relation to impairment of loans and advances as required under IFRS 9. Refer to the critical accounting estimates, judgements and disclosures including Covid-19 pandemic of loans and advances in Note 2.6, 2.7 and 5 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

Key Audit Matters (continued)

Impairment testing of investment in associates
The Group has interests in number of associates which are significant to the Group's consolidated financial statements. The Group's carrying value of its investments in Qurain Petrochemical Industries Company K.S.C.P. ("QPIC"), Gulf Insurance Group K.S.C.P. ("GIG") and Advance Technology Company K.S.C.P. ("ATC") are significantly higher than the proportion of equity attributable to Group's ownership interest in these associates. The investment in associates are accounted for using the equity method of accounting and considered for impairment in case of indication of impairment. Significant management judgement is required in determining whether there are any indications of impairment and in estimating the recoverable amounts of the investment in associates based on the value in use, especially due to the ongoing Covid-19 pandemic. Accordingly, we considered this as a key audit matter.

We carried out procedures to understand management's process for identifying impairment triggers such as significant adverse changes in the technological, market, economic, or legal environment in which the investee operates, structural changes in the industry in which the investee operates, changes in the political or legal environment affecting the investee's business and changes in the investee's financial condition including the Impact of Covid-19 pandemic in the underlying associates. Our audit procedures included, amongst others, assessing the appropriateness of the recoverable amounts determined by management and the methods used.

We also assessed the adequacy of the Group's disclosure in Note 9 of the consolidated financial statements.

Impairment testing of goodwill and intangible assets
Impairment testing of goodwill and intangible assets performed by the management was significant to our audit because the assessment of the recoverable amount of goodwill and intangible assets under the value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the interest margins, discount rates, market share assumptions, projected growth rates and economic conditions such as the economic growth and expected inflation rates, which have been impacted by the Covid-19 pandemic. We considered this area to be as key audit matter.

- As part of our audit procedures, we assessed the knowledge and expertise of the management of the Group to perform such valuations and obtained management's impairment calculations and key assumptions, including profit forecasts and basis of selection of growth rates and discount rates

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

Key Audit Matters (continued)

Impairment testing of goodwill and intangible assets (continued)

- We involved our valuation experts to assist us in evaluating the appropriateness of the valuation model and testing key assumptions used in the impairment analysis, such as the discount rate and terminal growth rate, considering Covid-19 pandemic impact.

- We reviewed the sensitivity analysis performed by management around key assumptions noted above and the outcomes of the assessment. Future cash flow assumptions were also reviewed through comparison to current trading performance considering the historical consistency and the understanding of the reasons for growth profiles used, including consideration of the potential impacts of the Covid-19 pandemic.

Furthermore, we assessed the adequacy of the Group's disclosures included in Note 11 of the consolidated financial statements related to those assumptions. The Group's policy on impairment testing is disclosed in Note 2 of the consolidated financial statements.

Valuation of investment properties

Investment properties are significant to the Group's consolidated financial statements. The management determines the fair value of its investment properties and uses external appraisers to support the valuation. The valuation of the investment properties at fair value is highly dependent on estimates and assumptions, such as average net initial yield, reversionary yield, inflation rate, vacancy rates, growth in rental rates, market knowledge and historical transactions.

The external valuers have included a material valuation uncertainty clause in their valuation report. This clause highlights that less certainty, and consequently a higher degree of caution, should be associated to the valuation as a result of the Covid-19 pandemic. This represents a significant estimate uncertainty in relation to the valuation of investment properties.

Given the size, complexity and impact of ongoing Covid-19 pandemic on the valuation of investment properties and the importance of the disclosures relating to the assumptions used in the valuation, we considered this as a key audit matter.

Our audit procedures included, amongst others:

- We have considered the methodology and the appropriateness of the valuation models and inputs used to value the investment properties.

- We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations

- We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices and challenging the valuations on a sample basis, particularly in light of Covid-19 pandemic.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

Valuation of investment properties (continued)

- Further, we have considered the objectivity, independence and expertise of the external real estate appraisers.

- We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the fair value of investment properties. We also assessed the adequacy of the disclosures relating to the assumptions and sensitivity of such assumptions in Note 10 of the consolidated financial statements highlighting the increased estimation and uncertainty as a result of Covid-19 pandemic.

Valuation of derivative financial instruments

The Group has significant derivative financial instruments, the valuation of which is determined through the application of valuation techniques, which often involve the exercise of judgement and the use of assumptions and estimates, especially due to the ongoing Covid-19 pandemic. Due to the significance of derivative financial instruments and the related estimation uncertainty, this was considered as a key audit matter.

Our audit procedures included, amongst others:

- Assessing the overall process related to derivative instruments including internal management policies and procedures

- We involved our valuation specialists to assist us in evaluation of the methodologies, inputs and assumptions used by the Group in determining the fair values of the derivative financial instruments.

- We challenged inputs used to externally available market data to assess whether appropriate assumptions were used in the valuation.

- We also compared valuations derived from our internal valuation model, for a sample of instruments, to the fair values determined by the Group.

Further we evaluated the adequacy of the Group's disclosures in Note 27 in the consolidated financial statements about the valuation basis and inputs used in the fair value measurement.

Accounting for business combination

During the year, as result of further contributions to capital calls and dispute resolution in the favour of the Group, by an arbitration panel, regarding ownership of certain shares, the Group's effective ownership interest in its joint venture, Panther Media Group Limited ("PMGL") increased from 60.5% to 87.6%. As a result and described in Notes 3 to the consolidated financial statements, the Group gained control and PMGL became a subsidiary. The Group also recorded a provisional Goodwill of KD 346,193 thousand on the step acquisition. The Group has one year to perform the purchase price allocation in accordance with IFRS 3.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

Accounting for business combination (continued)
International Financial Reporting Standard (IFRS) 3 "Business Combinations" requires to identify and recognise assets and liabilities in the acquired net assets of PMGL at fair value. The standard also requires, in step acquisition, remeasurement of previously held equity interest at fair value and recognition of the resulting gain or loss. Accordingly, the management the Group remeasured its previously held equity interest in PMGL at the acquisition date and recognized a gain of KD 75,893 thousand in the consolidated income statement.

We focused on this area as a key audit matter due to the size of the acquisition and the judgement involved in accounting for the transaction.

Our focus was first on assessing whether the Group had acquired the appropriate control of the business to be treated as a subsidiary and secondly to assess management's determination of fair value for the previously held interest. We analysed the transaction and the acquisition of control and we discussed this with the management of the Group. To assess whether the accounting treatment complies with the requirements of IFRS 3, we reviewed relevant underlying documents relating to subscription of capital calls and the arbitration ruling. Our audit procedures included among others, carry out an assessment of the acquisition accounting, obtaining and reviewing managements valuation, with the assistance of our internal valuation experts, to validate that the methodologies and related underlying assumptions used by the Group for the estimation of the fair value of the Group's previously held interest PMGL in accordance with IFRS 3. We also considered the adequacy of the Group's disclosures in Note 3 about the acquisition of PMGL within the consolidated financial statements.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

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

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

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

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

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

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

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

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

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

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

Building a better working world

RSM Albazie & Co.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT PROJECTS COMPANY HOLDING K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

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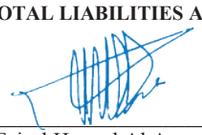
AL-AIBAN, AL-OSAIMI & PARTNERS

NAYEF M. AL-BAZIE
LICENCE NO. 91 A
RSM ALBAZIE & CO.

22 March 2021
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	*2020* **KD 000's**	*(Restated) * 2019* KD 000's
ASSETS			
Cash in hand and at banks	4	**1,346,865**	1,581,969
Treasury bills, bonds and other debt securities		**500,770**	546,271
Loans and advances	5	**4,945,497**	5,184,673
Financial assets at fair value through profit or loss	6	**252,208**	288,622
Financial assets at fair value through other comprehensive income	7	**391,927**	322,286
Other assets	8	**818,524**	583,188
Properties held for trading		**118,353**	102,092
Investment in associates	9	**349,065**	353,349
Investment in a media joint venture	3	**-**	125,049
Investment properties	10	**624,258**	630,394
Property, plant and equipment		**396,442**	364,464
Intangible assets	11	**606,465**	317,932
TOTAL ASSETS		**10,350,374**	10,400,289
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions		**1,271,941**	1,425,361
Deposits from customers		**5,160,158**	5,268,742
Loans payable	13	**744,113**	704,979
Bonds	14	**631,977**	475,485
Medium term notes	15	**601,257**	752,413
Other liabilities	16	**1,048,409**	764,014
Total liabilities		**9,457,855**	9,390,994
Equity			
Share capital	17	**200,000**	200,000
Share premium	17	**52,913**	52,913
Treasury shares	17	**(93,151)**	(94,427)
Statutory reserve	17	**106,821**	106,821
Voluntary reserve	17	**76,546**	106,546
Cumulative changes in fair values		**(19,287)**	(9,819)
Foreign currency translation reserve		**(131,138)**	(114,986)
Employee stock option plan reserve	18	**2,067**	1,779
Other reserve		**(21,398)**	(14,644)
Retained earnings		**27,255**	16,984
Equity attributable to equity holders of the Parent Company		**200,628**	251,167
Perpetual capital securities	17	**153,332**	153,332
Non controlling interest		**538,559**	604,796
Total equity		**892,519**	1,009,295
TOTAL LIABILITIES AND EQUITY		**10,350,374**	10,400,289



Faisal Hamad Al Ayyar
Vice Chairman (Executive)

** Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2019 and reflect adjustments made as detailed in Note 2 and 3.*

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2020

	Notes	2020 KD 000's	(Restated) * 2019 KD 000's
Income:			
Interest income		**328,398**	408,533
Investment income	19	**86,149**	34,274
Fees and commission income	20	**56,408**	65,169
Share of results of associates		**17,772**	23,053
Share of results from a media joint venture		**(6,101)**	(68,002)
Media and digital satellite network services income		**85,485**	12,624
Hospitality and real estate income		**101,346**	120,635
Educational service income		**27,163**	28,513
Manufacturing and distribution income		**9,837**	24,660
Other income		**33,302**	39,756
Foreign exchange gain		**12,871**	8,953
		752,630	698,168
Expenses:			
Interest expense		**230,488**	289,360
Media and digital satellite network services expenses		**99,131**	8,318
Hospitality and real estate expenses		**83,581**	90,052
Educational service expense		**15,240**	16,515
Manufacturing and distribution expenses		**8,369**	22,099
General and administrative expenses	21	**168,578**	187,420
Depreciation and amortization		**23,285**	23,711
		628,672	637,475
Operating profit before provisions and Directors' remuneration		**123,958**	60,693
Provision for credit losses	5&26	**(65,676)**	(25,239)
Provision for impairment of non-financial assets	28	**(46,283)**	(6,644)
Board of Directors' remuneration	24	**(220)**	(220)
Profit before taxation		**11,779**	28,590
Taxation	22	**(3,081)**	(16,480)
Profit for the year		**8,698**	12,110
Profit (loss) attributable to:			
Equity holders of the Parent Company		**6,548**	(39,350)
Non-controlling interest		**2,150**	51,460
		8,698	12,110
		Fils	*Fils*
EARNINGS (LOSS) PER SHARE:			
Basic – attributable to equity holders of the Parent Company	23	**0.4**	(33.2)
Diluted – attributable to equity holders of the Parent Company	23	**0.4**	(33.2)

** Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2019 and reflect adjustments made as detailed in Note 2 and 3.*

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

	2020 KD 000's	*(Restated)* 2019 KD 000's*
Profit for the year	**8,698**	12,110
Other comprehensive (loss) income		
Items that will not be reclassified subsequently to consolidated income statement:		
Net change in fair value of equity instruments at fair value through other comprehensive income	**(13,801)**	(10,285)
Share of other comprehensive (loss) income from associates and joint venture	**(9,072)**	8,098
	(22,873)	(2,187)
Items that are or will be reclassified subsequently to consolidated income statement:		
Debt instruments at fair value through other comprehensive income:		
Net change in fair value during the year	**6,924**	2,056
Changes in allowance for expected credit losses	**111**	14
Net transfer to consolidated income statement	**(8,589)**	(307)
Changes in fair value of cash flow hedge	**1,417**	(11,214)
Net foreign currency translation adjustment	**(39,093)**	(26,223)
	(39,230)	(35,674)
Other comprehensive loss for the year	**(62,103)**	(37,861)
Total comprehensive loss for the year	**(53,405)**	(25,751)
(Loss) income attributable to:		
Equity holders of the Parent Company	**(23,550)**	(62,771)
Non controlling interest	**(29,855)**	37,020
	(53,405)	(25,751)

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2019 and reflect adjustments made as detailed in Note 2 and 3.*

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2020

	Notes	2020 KD 000's	(Restated) * 2019 KD 000's
OPERATING ACTIVITIES			
Profit before taxation		**11,779**	28,590
Adjustments to reconcile profit before taxation to net cash flows:			
Interest income		**(328,398)**	(408,533)
Investment income	19	**(86,149)**	(34,274)
Share of results of associates		**(17,772)**	(23,053)
Share of results from a media joint venture		**6,101**	68,002
Interest expense		**230,488**	289,360
Depreciation and amortization		**23,285**	23,711
Provision for credit losses	5&26	**65,676**	25,239
Provision for impairment of non-financial assets		**46,283**	6,644
Foreign exchange loss on loans payable and medium-term notes		**2,686**	232
Provision for employee stock option plan	18	**914**	920
		(45,107)	(23,162)
Changes in operating assets and liabilities:			
Deposits with original maturities exceeding three months		**(25,513)**	9,503
Treasury bills, bonds and other debt securities		**9,542**	180,188
Loans and advances		**109,176**	(442,816)
Financial assets at fair value through profit or loss		**43,567**	(11,935)
Financial assets at fair value through other comprehensive income		**(76,528)**	(71,366)
Other assets		**(39,823)**	(159,557)
Properties held for trading		**4,248**	(2,425)
Due to banks and other financial institutions		**(153,124)**	(633,644)
Deposits from customers		**77,000**	447,250
Other liabilities		**21,065**	(45,512)
Dividends received	19	**3,117**	9,020
Interest received		**348,624**	457,523
Interest paid		**(276,155)**	(316,621)
Taxation paid		**(13,277)**	(12,371)
Net cash flows used in operating activities		**(13,188)**	(615,925)
INVESTING ACTIVITIES			
Net movement in investment properties		**(3,800)**	1,541
Net movement in investment in associates		**491**	-
Deferred consideration paid on acquisition of a subsidiary		-	(2,500)
Dividends received from associates		**9,535**	8,983
Additional subscription of shares in investment in a media joint venture		-	(23,951)
Net cash flows from (used in) investing activities		**6,226**	(15,927)
FINANCING ACTIVITIES			
Proceeds from issue of rights shares	17	-	88,735
(Repayment of) proceeds from loans payable, net		**(26,367)**	9,768
(Repayment of) proceeds from medium term notes, net		**(153,900)**	87,514
Proceeds from bonds, net		**155,467**	2,000
Purchase of treasury shares		**(1,181)**	(2,957)
Proceeds from sale of treasury shares		**1,216**	636
Repayment of perpetual capital securities	17	-	(152,403)
Net proceeds from issue of perpetual capital securities	17	-	149,950
Interest payment on perpetual capital securities		**(9,111)**	(13,781)
Dividends paid to equity holders of the Parent Company		**(17,963)**	(16,800)
Dividends paid to non-controlling interest		**(14,683)**	(16,885)
Movement in non-controlling interest		**(5,630)**	899
Net cash flows (used in) from financing activities		**(72,152)**	136,676
Net foreign exchange difference		**(36,417)**	(32,120)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(115,531)**	(527,296)
Cash and cash equivalents at 1 January		**1,571,536**	2,098,832
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	**1,456,005**	1,571,536

* *Certain amounts shown here do not correspond to the consolidated financial statements as at 31 December 2019 and reflect adjustments made as detailed in Note 2 and 3.*

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company													
	Share capital KD 000's	*Share premium KD 000's*	*Treasury shares KD 000's*	*Statutory reserve KD 000's*	*Voluntary reserve KD 000's*	*Cumulative changes in fair values KD 000's*	*Foreign currency translation reserve KD 000's*	*ESOP reserve KD 000's*	*Other reserve KD 000's*	*Retained earnings KD 000's*	*Total KD 000's*	*Perpetual capital securities KD 000's*	*Non controlling interest KD 000's*	*Total equity KD 000's*
As at 31 December 2019 (as previously stated)	200,000	52,913	(94,427)	106,821	106,546	(9,819)	(114,986)	1,779	(14,644)	104,225	338,408	153,332	605,746	1,097,486
Restatements (Note 2 and 3)	-	-	-	-	-	-	-	-	-	(87,241)	(87,241)	-	(950)	(88,191)
As at 1 January 2020 (restated)	200,000	52,913	(94,427)	106,821	106,546	(9,819)	(114,986)	1,779	(14,644)	16,984	251,167	153,332	604,796	1,009,295
Profit for the year	-	-	-	-	-	-	-	-	-	6,548	6,548	-	2,150	8,698
Other comprehensive loss	-	-	-	-	-	(10,678)	(19,420)	-	-	-	(30,098)	-	(32,005)	(62,103)
Total comprehensive (loss) income	-	-	-	-	-	(10,678)	(19,420)	-	-	6,548	(23,550)	-	(29,855)	(53,405)
Dividends for 2019 at 10 fils per share (note 17)	-	-	-	-	-	-	-	-	-	(18,124)	(18,124)	-	-	(18,124)
Purchase of treasury shares	-	-	(1,181)	-	-	-	-	-	-	-	(1,181)	-	-	(1,181)
Sale of treasury shares	-	-	2,457	-	-	-	-	-	-	(1,241)	1,216	-	-	1,216
Employees' share based payment	-	-	-	-	-	-	-	288	-	-	288	-	-	288
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(5,777)	(5,777)	-	(3,334)	(9,111)
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(14,683)	(14,683)
Transfer to reserve for disposal group held for sale	-	-	-	-	-	75	3,268	-	(3,343)	-	-	-	-	-
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	1,135	-	-	-	(1,135)	-	-	-	-
Acquisition of a subsidiary (note 3)	-	-	-	-	-	-	-	-	-	-	-	-	(16,146)	(16,146)
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	(3,411)	-	(3,411)	-	(2,219)	(5,630)
Transfer of reserve to retained earnings (note 17)	-	-	-	-	(30,000)	-	-	-	-	30,000	-	-	-	-
As at 31 December 2020	**200,000**	**52,913**	**(93,151)**	**106,821**	**76,546**	**(19,287)**	**(131,138)**	**2,067**	**(21,398)**	**27,255**	**200,628**	**153,332**	**538,559**	**892,519**

The attached notes 1 to 31 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2020

	Attributable to equity holders of the Parent Company													
	Share capital KD 000's	*Share premium KD 000's*	*Treasury shares KD 000's*	*Statutory reserve KD 000's*	*Voluntary reserve KD 000's*	*Cumulative changes in fair values KD 000's*	*Foreign currency translation reserve KD 000's*	*ESOP reserve KD 000's*	*Other reserve KD 000's*	*Retained earnings KD 000's*	*Total KD 000's*	*Perpetual capital securities KD 000's*	*Non controlling interest KD 000's*	*Total equity KD 000's*
As at 31 December 2018 (as previously stated)	154,725	3,111	(86,111)	106,821	106,546	(6,271)	(97,046)	1,535	(14,172)	107,925	277,063	146,440	587,132	1,010,635
Restatement (Note 3)	-	-	-	-	-	-	-	-	-	(17,880)	(17,880)	-	-	(17,880)
As at 1 January 2019 (restated)	154,725	3,111	(86,111)	106,821	106,546	(6,271)	(97,046)	1,535	(14,172)	90,045	259,183	146,440	587,132	992,755
(Loss) profit for the year	-	-	-	-	-	-	-	-	-	(39,350)	(39,350)	-	51,460	12,110
Other comprehensive loss	-	-	-	-	-	(5,481)	(17,940)	-	-	-	(23,421)	-	(14,440)	(37,861)
Total comprehensive (loss) income	-	-	-	-	-	(5,481)	(17,940)	-	-	(39,350)	(62,771)	-	37,020	(25,751)
Dividends for 2018 at 12 fils per share	-	-	-	-	-	-	-	-	-	(16,818)	(16,818)	-	-	(16,818)
Issue of Right shares (note 17)	45,275	49,802	(6,342)	-	-	-	-	-	-	-	88,735	-	-	88,735
Purchase of treasury shares	-	-	(2,957)	-	-	-	-	-	-	-	(2,957)	-	-	(2,957)
Sale of treasury shares	-	-	983	-	-	-	-	-	-	(347)	636	-	-	636
Employees' share based payment	-	-	-	-	-	-	-	244	-	-	244	-	-	244
Issue of perpetual capital securities	-	-	-	-	-	-	-	-	-	-	-	151,242	-	151,242
Perpetual capital securities issuance cost	-	-	-	-	-	-	-	-	-	(811)	(811)	-	(481)	(1,292)
Repayment of perpetual capital securities	-	-	-	-	-	-	-	-	-	(5,260)	(5,260)	(144,025)	(3,118)	(152,403)
Interest payment on perpetual capital securities	-	-	-	-	-	-	-	-	-	(8,746)	(8,746)	-	(5,035)	(13,781)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	204	204	(325)	121	-
Dividends paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(16,885)	(16,885)
Transfer to retained earnings on derecognition of equity investments carried at FVOCI	-	-	-	-	-	1,933	-	-	-	(1,933)	-	-	-	-
Ownership changes in subsidiaries	-	-	-	-	-	-	-	-	(472)	-	(472)	-	6,042	5,570
As at 31 December 2019	200,000	52,913	(94,427)	106,821	106,546	(9,819)	(114,986)	1,779	(14,644)	16,984	251,167	153,332	604,796	1,009,295

The attached notes 1 to 31 form part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

1 CORPORATE INFORMATION

Kuwait Projects Company Holding K.S.C.P. (the "Parent Company") is a public shareholding company registered and incorporated under the laws of the State of Kuwait on 2 August 1975 and listed on the Boursa Kuwait. The address of the Parent Company's registered office is P.O. Box 23982, Safat 13100 - State of Kuwait.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Board of Directors on 22 March 2021 and are issued subject to the approval of the Annual General Assembly of the Shareholders' of the Parent Company. The Annual General Assembly of the Shareholders has the power to amend these consolidated financial statements after issuance.

The principal activities of the Parent Company comprise the following:

1. Owning stocks and shares in Kuwaiti or non-Kuwaiti companies and shares in Kuwaiti or non-Kuwaiti limited liability companies and participating in the establishment of, lending to and managing of these companies and acting as a guarantor for these companies.

2. Lending money to companies in which it owns shares, guaranteeing them with third parties where the holding parent company owns 20% or more of the capital of the borrowing company.

3. Owning industrial equities such as patents, industrial trademarks, royalties, or any other related rights and franchising them to other companies or using them within or outside the state of Kuwait.

4. Owning real estate and moveable properties to conduct its operations within the limits as stipulated by law.

5. Employing excess funds available with the parent company by investing them in investment and real estate portfolios managed by specialized companies.

The major shareholder of the Parent Company is Al Futtooh Holding Company K.S.C. (Closed).

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, derivative financial instruments, investment properties that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company, and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 STATEMENT OF COMPLIANCE

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

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of the new standards relevant to the Group, effective as of 1 January 2020, the nature and impact of which is as described below:

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

Interest Rate Benchmark Reform ("IBOR reform")
On 26 September 2019, the IASB published 'Interest Rate Benchmark Reform, Amendments to IFRS 9, IAS 39 and IFRS 7' (the "amendments"). This concludes phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. These amendments provide a number of reliefs, which apply to all hedging relationships that are directly affected by IBOR reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project. The Group has not early adopted the amendments and has concluded that the uncertainty arising from IBOR reform is not affecting its hedge relationships to the extent that the hedge relationships need to be discontinued.

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

Several other amendments and interpretations applied for first time in 2020, but do not have an impact on the Group's consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16
In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a risk-free rate ("RFR"). IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to RFR. As a practical expedient, changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis. IBOR reform Phase 2 provides temporary reliefs that allow the Group's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. The Group is currently assessing the impact of transition and will apply IBOR reform Phase 2 when it becomes applicable. The Group continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact certain assets, liabilities and derivatives linked to IBOR, internal systems and processes.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its consolidated financial statements.

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.5 BASIS OF CONSOLIDATION

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in consolidated income statement
- Reclassifies the parent's share of components previously recognised in OCI to consolidated income statement or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.5 BASIS OF CONSOLIDATION (continued)

The subsidiaries of the Group are as follows:

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2020	*2019*
Directly held				
United Gulf Holding Company B.S.C ("UGH")	Bahrain	Holding Company	**93.26%**	93.13%
Burgan Bank S.A.K. ("Burgan")	Kuwait	Banking	**62.87%**	62.82%
United Real Estate Company K.S.C.P. ("URC")	Kuwait	Real Estate	**73.88%**	73.84%
United Industries Company K.S.C. (Closed) ("UIC")	Kuwait	Industrial	**78.63%**	77.78%
Overland Real Estate Company W.L.L. ("Overland")	Kuwait	Real estate	**88.58%**	88.27%
Pulsar Knowledge Centre	India	Consultancy	**100.00%**	100.00%
United Gulf Management Incorporation	USA	Asset management	**100.00%**	100.00%
United Gulf Management Limited	United Kingdom	Asset management	**100.00%**	100.00%
Al Rawabi United Holding Company K.S.C.C. (Holding)	Kuwait	Holding	**99.99%**	99.99%
Takaud Savings & Pensions B.S.C.	Bahrain	Pension and savings	**100.00%**	100.00%
Kuwait United Consultancy Company K.S.C. (Closed)	Kuwait	Consultancy	**99.99%**	99.99%
Chairman's Club Kuwait Company K.S.C.(Closed)	Kuwait	Hospitality & Entertainment services	**99.99%**	99.99%
Panther Media Group LTD "PMGL" (a)	UAE	Media Pay TV services	**86.34%**	-
Held through Group companies				
United Towers Holding Company K.S.C. (Closed)	Kuwait	Real Estate	**66.85%**	66.85%
Ikarus United for Marine Services Company S.A.K. (Closed)	Kuwait	Marine services	**60.00%**	60.00%
North Africa Holding Company K.S.C. (Closed) ("NAH")	Kuwait	Investments	**53.53%**	53.53%
North Africa Holding Industries Limited	Guernsey	Holding Company	**98.04%**	98.04%
United Networks Company K.S.C. (Closed) ("UNC")	Kuwait	Satellite & media	**63.62%**	63.62%
Assoufid B.V.	Netherlands	Real estate	**100.00%**	100.00%
Mena Homes Real Estate Company K.S.C (Closed)	Kuwait	Real estate	**87.82%**	87.82%
Structured entities ("SPVs") treated as subsidiaries				
Kuwait Projects Company (Cayman)	Cayman Islands	Special purpose entity	**100.00%**	100.00%
UBC Ventures W.L.L.	Bahrain	Special purpose entity	**100.00%**	100.00%
Kuwait Projects Company S.P.C Limited ("DIFC")	UAE	Special purpose entity	**100.00%**	100.00%
Al Ansar United Real Estate Company S.P.C (b)	Kuwait	Special purpose entity	**100.00%**	100.00%

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2.5 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2020	*2019*
Held through UGH				
United Gulf Bank B.S.C. ("UGB")	Bahrain	Investment banking	**100.00%**	100.00%
Held through UGH /UGB				
KAMCO Investment Company K.S.C.P. ("KAMCO")	Kuwait	Asset management	**62.92%**	62.92%
FIM Bank Group ("FIM Bank")	Malta	Banking	**88.89%**	88.89%
Hatoon Real Estate Company W.L.L.	Kuwait	Real estate	**98.00%**	98.00%
Syria Gulf Investment Company	Syria	Investment banking	**99.00%**	99.00%
United Gulf Financial Services North Africa Holding Company "UGFS"	Tunisia	Brokerage and investment banking	**83.81%**	83.81%
United Gulf Financial Services "UGAS"	Tunisia	Financial Services	**100.00%**	100.00%
United Gulf Asset Company S.P.C	Bahrain	Asset management	**100.00%**	100.00%
United Gulf Realty International Limited	British Virgin Islands	Real estate	**100.00%**	100.00%
Federal Street 176 Holdings, Inc.	USA	Real estate	**100.00%**	100.00%
Held through KAMCO				
Al Zad Real Estate W.L.L.	Kuwait	Real estate	**99.48%**	99.48%
Al Dhiyafa United Real Estate Company W.L.L.	Kuwait	Real estate	**99.80%**	99.80%
First North Africa Real Estate Company W.L.L.	Kuwait	Real estate	**99.79%**	99.79%
KAMCO GCC Opportunistic Fund	Bahrain	Fund	**100.00%**	100.00%
Kuwait Private Equity Opportunities Fund	Kuwait	Fund	**72.82%**	72.82%
KAMCO Investment Company (DIFC) Limited	UAE	Investment management	**100.00%**	100.00%
AL Jazi Money Market fund	Kuwait	Fund	**96.94%**	96.94%
Nawasi United Holding Company K.S.C. (Closed)	Kuwait	Holding Company	**96.00%**	96.00%
Al Tadamun United Holding Company K.S.C. (Closed)	Kuwait	Holding Company	**96.00%**	96.00%
Flint Manager Limited (c)	Jersey	Investment management	**-**	100.00%
Flint Advisory Company LLC (c)	USA	Advisory	**-**	45.88%
Buckeye Power Advisory Company LLC	USA	Advisory	**47.83%**	47.83%
Buckeye Power Manager Limited	Jersey	Investment management	**100.00%**	100.00%
Carnition Manager Limited	Jersey	Advisory	**100.00%**	100.00%
Carnition advisory company LLC	USA	Advisory	**74.89%**	74.89%
KAMCO Egypt Holding (DIFC) Limited	UAE	Holding Company	**100.00%**	100.00%
Shurooq Investment Services Holding Company SAOG	Oman	Financial Services	**76.97%**	76.97%
Global Investment House – Egypt	Egypt	Financial Services	**100.00%**	99.87%
Global Investment House B.S.C. (Closed)	Bahrain	Brokerage Services	**100.00%**	100.00%
First securities Brokerage Company K.S.C (Closed)	Kuwait	Brokerage Services	**93.23%**	93.23%
KAMCO Investment Company Saudia	Saudi Arabia	Financial Services	**100.00%**	100.00%
Global Investment House (DIFC) Limited (c)	UAE	Financial Services	**-**	100.00%
Global Investment House Company Limited	Jordan	Brokerage Services	**100.00%**	100.00%
Shurooq Securities Company LLC	Oman	Financial Services	**100.00%**	100.00%
United Holding Company K.S.C. (Holding)	Kuwait	Holding Company	**99.98%**	99.98%
KAMCO Capital Partners Ltd.	Cayman Islands	Investment management	**100.00%**	100.00%
KAMCO Capital Management Ltd.	Cayman Islands	Investment management	**100.00%**	100.00%
KAMCO Mena Plus Fixed Income Fund (OECD) Limited	UAE	Fund	**57.57%**	57.59%
Kubbar United Real Estate Company	Kuwait	Real Estate	**100.00%**	100.00%
Plans United Real Estate Company	Kuwait	Real Estate	**100.00%**	100.00%
HP plaza Investors, Inc.	USA	Investment management	**100.00%**	100.00%
HP Plaza Advisor LLC	USA	Advisory	**50.00%**	50.00%

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2.5 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2020	*2019*
Centerstone Investor, Inc	USA	Investment management	**100.00%**	100.00%
Centerstone Advisor LLC	USA	Advisory	**50.00%**	50.00%
Lawson Lane Investor, Inc. (d)	USA	Management services	**100.00%**	-
Martley Holdings GP Limited (d)	Jersey	Management services	**100.00%**	-
Martley Finance GP Limited (d)	Jersey	Management services	**100.00%**	-
Held Through FIM Bank				
London Forfaiting Company Limited	UK	Forfaiting	**100.00%**	100.00%
FIM Factors B.V.	Netherlands	Holding Company	**100.00%**	100.00%
FIM Business Solutions Limited	Malta	IT Services Provider	**100.00%**	100.00%
FIM Property Investment Limited	Malta	Property Management	**100.00%**	100.00%
London Forfaiting International Limited	UK	Holding Company	**100.00%**	100.00%
London Forfaiting Americas Inc.	USA	Marketing	**100.00%**	100.00%
London Forfaiting do Brasil Ltd.	Brazil	Marketing	**100.00%**	100.00%
India Factoring and Finance Solutions Private Limited	India	Factoring	**88.16%**	87.19%
FIM Holdings (Chile) S.P.A.	Chile	Factoring	**100.00%**	100.00%
The Egyptian Company for Factoring S.A.E	Egypt	Factoring	**100.00%**	100.00%
Held through Burgan				
Algeria Gulf Bank S.P.A. ("AGB")	Algeria	Banking	**91.13%**	91.13%
Bank of Baghdad P.J.S.C ("BOB"). (e)	Iraq	Banking	**51.79%**	51.79%
Tunis International Bank S.A.	Tunisia	Banking	**86.70%**	86.70%
Baghdad Brokerage Company (e)	Iraq	Banking	**51.79%**	51.79%
Burgan Bank A.S. ("BBT")	Turkey	Banking	**99.56%**	99.56%
Burgan Finansal Kiralama A.S.	Turkey	Leasing	**99.56%**	99.56%
Burgan Yatirim Menkul Degerler A.S.	Turkey	Brokerage	**99.56%**	99.56%
Burgan Tier 1 Financing Limited (c)	Dubai	Special Purpose entity	-	100.00%
Burgan Bank Financial Services Limited("BBFS")	Dubai	Financial Advisory Services	**100.00%**	100.00%
Burgan Senior SPC Limited	Dubai	Special Purpose entity	**100.00%**	100.00%
Burgan Wealth Limited (c)	Dubai	Wealth Management Services	-	99.56%
Held through URC				
Souk Al -Muttaheda Joint venture – Salhia	Kuwait	Real estate	**92.17%**	92.17%
United Building Company S.A.K. (Closed)	Kuwait	Real estate	**98.00%**	98.00%
United Building Company Egypt S.A.E.	Egypt	Real estate	**100.00%**	100.00%
Tamleek United Real Estate Company W.L.L.	Kuwait	Real estate	**99.00%**	99.00%
United International Project Management Company W.L.L.	Kuwait	Facilities management	**96.00%**	96.00%
United Facilities Management Company S.A.K. (Closed)	Kuwait	Facilities management	**96.80%**	96.80%
United Lebanese Real Estate Company S.A.L (Holding)	Lebanon	Real estate	**99.90%**	99.90%
United Areej Housing Company W.L.L	Jordan	Real estate	**100.00%**	100.00%
Al Reef Real Estate Company S.A.O. (Closed)	Oman	Real estate	**100.00%**	100.00%
United Ritaj for Touristic Investment S.A.E. (Closed)	Egypt	Touristic development	**100.00%**	100.00%
United Facilities Development Company K.S.C (Closed)	Kuwait	Real estate	**63.50%**	63.50%
United Company for Investment W.L.L	Syria	Real estate	**95.00%**	95.00%
United Real Estate Holding for Financial Investments	Egypt	Investment	**100.00%**	100.00%
Manazel United for Real Estate Investment Company S.A.E	Egypt	Real estate	**91.49%**	91.49%

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2.5 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2020	*2019*
Aswar United Real Estate Company S.A.E	Egypt	Real estate	**100.00%**	100.00%
Al Dhiyafa Holding Company K.S.C (Closed)	Kuwait	Real estate	**89.58%**	89.58%
United Real Estate Jordan P.S.C.	Jordan	Real estate	**100.00%**	100.00%
Greenwich Quay Limited	Isle of Man	Real estate	**100.00%**	100.00%
United Real Estate Company W.L.L.	Syria	Real estate	**90.00%**	90.00%
Universal United Real Estate W.L.L	Kuwait	Real estate	**63.00%**	63.00%
Gulf Egypt Hotels & Tourism S.A.E	Egypt	Real estate	**100.00%**	100.00%
Bhamdoun United Real Estate Company S.A.L	Lebanon	Hotel management	**100.00%**	100.00%
Rouche Holding Company S.A.L	Lebanon	Real estate	**100.00%**	100.00%
Al Dhiyafa – Lebanon SAL (Holding Company)	Lebanon	Real estate	**100.00%**	100.00%
United Lebanese Real Estate Company S.A.L	Lebanon	Real estate	**100.00%**	100.00%
Abdali Mall Company P.S.C.	Jordan	Real estate	**100.00%**	100.00%
United Facilities Management L.L.C.	Oman	Facilities management	**100.00%**	100.00%
UFM for Cleaning and Technical Services L.L.C.	UAE	Technical services & cleaning	**100.00%**	100.00%
UFM Facilities Management Services L.L.C.	UAE	Facilities management	**100.00%**	100.00%
ABM1 Building Maintenance L.L.C.	UAE	Facilities management	**100.00%**	100.00%
Egypt United Project Management Co. WLL	Egypt	Facilities management	**100.00%**	100.00%
Dhow Holdings Limited	Isle of Man	Real Estate	**100.00%**	100.00%
United Arab Facility Management L.L.C.	Jordan	Facilities management	**100.00%**	100.00%
Areej United for Agricultural Investment Co.	Egypt	Agriculture	**100.00%**	100.00%
Held through UIC				
Kuwait National Industrial Projects Company K.S.C. (Closed)	Kuwait	Industrial Investment	**99.95%**	99.95%
Eastern Projects General Trading Company W.L.L.	Kuwait	Industrial Investment	**99.00%**	99.00%
United Gulf Industries Company W.L.L	Saudi Arabia	Industrial Investment	**95.00%**	95.00%
Held through UNC				
Gulfsat Communications Company K.S.C. (Closed)	Kuwait	Satellite services	**82.37%**	82.37%
Takhatob, Company limited by shares	Cayman Islands	Communication	**100.00%**	100.00%
Syrian Communication Technological Company	Syria	Communication	**100.00%**	100.00%
Gulfsat Communication Company	Jordan	Communication	**100.00%**	100.00%
Gcast Media WLL	Egypt	Communication	**100.00%**	100.00%
My TV (CY) Limited	Cyprus	Communication	**100.00%**	100.00%
Held through Overland				
Amaken United Real Estate Company	Kuwait	Real estate	**99.99%**	99.99%
United Industrial Gas K.S.C. (Closed)	Kuwait	Industrial Investment	**99.99%**	99.99%
Alternative Energy Projects Company	Kuwait	Manufacturing	**99.99%**	99.99%
Alternative Energy Projects Company	Jordan	Manufacturing	**100.00%**	100.00%
United Education Company K.S.C. (Closed)	Kuwait	Education	**63.89%**	63.89%
Held through United Towers Holding Company				
22 Project Management Company	Kuwait	Real estate	**99.99%**	99.99%

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2.5 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2020	*2019*
Held through North Africa Holding Industries Limited				
SACEM Industries S.A.	Tunisia	Manufacturing	**100.00%**	100.00%
SACEM Service	Tunisia	Service & repairs	**100.00%**	100.00%
STE SACEM Training	Tunisia	Industrial Training	**100.00%**	100.00%
SACEM International	Tunisia	Trading	**100.00%**	100.00%
SACEM Smart	Tunisia	Research & development	**100.00%**	100.00%
SACEM Energy and Engineering	Tunisia	Industrial	**100.00%**	100.00%
SACEM GCC Electrical L.L.C	UAE	Sales	**100.00%**	100.00%
SACEM Industries Cote D'ivoire	Ivory Coast	Sales	**100.00%**	100.00%
SACEM Rowanda Ltd	Rowanda	Sales	**100.00%**	100.00%
SOCIETE DEN	Tunisia	Advertising	**100.00%**	100.00%
Held through Assoufid BV				
Assoufid Properties development S.A	Morocco	Real Estate	**100.00%**	100.00%
Assoufid Properties Management S.A	Morocco	Facilities management	**100.00%**	100.00%
Assoufid Golf Operations S.A	Morocco	Facilities management	**100.00%**	100.00%
Assoufid Hotels SA	Morocco	Real Estate	**100.00%**	100.00%
Assoufid Golf SA	Morocco	Real Estate	**100.00%**	100.00%
Assoufid Golf & Hotels S.A	Morocco	Real Estate	**100.00%**	100.00%
Assoufid palace	Morocco	Real Estate	**100.00%**	100.00%
Stavebni S.A.	Morocco	Construction	**100.00%**	100.00%
Assem BV	Netherlands	Real Estate	**100.00%**	100.00%
Held through Rawabi				
Jordan Kuwait Bank P.L.C. (“JKB”)	Jordan	Banking	**51.19%**	51.19%
Held through United Education Company				
Al Rayan Holding Company K.S.C (Closed) (d)	Kuwait	Educational	**99.39%**	88.01%
AUS Education Company W.L. L	Kuwait	Educational	**99.99%**	99.99%
AlRayan Educational Services Company (ARESC)	Kuwait	Educational	**99.99%**	99.99%
Al-Nouri Educational Establishment Co W.L. L	Kuwait	Educational	**99.99%**	99.99%
Held through NAH				
Egyptian International Medical Center S.A. E	Egypt	Pharmaceutical	**51.00%**	51.00%
Cheraga North Africa General Trading LLC	UAE	Investment Holding company	**100.00%**	100.00%
North Africa Holding Glass Industries Ltd	Guernsey	Investment Holding company	**100.00%**	100.00%
North Africa Holding Pharma Industry Ltd	Guernsey	Investment Holding company	**100.00%**	100.00%
North Africa Aero General Trading LLC	UAE	Investment Holding company	**100.00%**	100.00%
North Africa Management Services LLC	UAE	Investment Holding company	**100.00%**	100.00%
North Africa Pharmaceutical Industries LLC	Egypt	Investment Holding company	**100.00%**	100.00%
North Pharma Distribution LLC	Egypt	Investment Holding company	**100.00%**	100.00%
Suntrana Investment Ltd	Cyprus	Investment Holding company	**100.00%**	100.00%
Kivalina Investments Ltd	Cyprus	Investment Holding company	**100.00%**	100.00%

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2.5 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2020	*2019*
North Africa Holding Real Estate	Morocco	Real Estate	**100.00%**	100.00%
Pacato SARL	Morocco	Real Estate Development	**100.00%**	100.00%
Niteshade Limited	British Virgin Islands	Investment Holding company	**100.00%**	100.00%
Tiglio SARL	Morocco	Real Estate Development	**100.00%**	100.00%
Tolland Limited	British Virgin Islands	Investment Holding company	**100.00%**	100.00%
Held through JKB				
Ejarah for Finance Leasing Company	Jordan	Leasing	**100.00%**	100.00%
Specialized Managerial Company for Investment and Financial Consultation (e)	Jordan	Financial Services	**100.00%**	100.00%
Held through PMGL (a)				
Panther Media Holding Limited	UAE	Intermediate holding company	**100.00%**	-
Gulf DTH FZ LLC	UAE	Broadcasting TV and IP streaming	**100.00%**	-
Premier Solutions Media FZ LLC	UAE	Advertising	**85.00%**	-
Digital Satellite LLC	UAE	General Trading and Contracting	**100.00%**	-
Pehla Media Entertainment FZ LLC	UAE	Trading in satellite receiving equipment	**100.00%**	-
Gulf DTH LDC	Cayman Islands	Intermediate holding company	**100.00%**	-
Gulf DTH Entertainment LDC	Cayman Islands	Intermediate holding company	**100.00%**	-
Gulf DTH Holdings Co LDC	Cayman Islands	Intermediate holding company	**100.00%**	-
Entertainment Distribution Company Limited	British Virgin Islands	Intermediate holding company	**100.00%**	-
Digital Media Distribution Systems Limited	British Virgin Islands	Intermediate holding company	**100.00%**	-
Digital Trading Systems Ltd.	British Virgin Islands	Intermediate holding company	**100.00%**	-
Walston Investments Inc	British Virgin Islands	Intermediate holding company	**100.00%**	-
Panther Media FINCO Ltd.	Cayman Islands	Intermediate holding company	**100.00%**	-
Al Shasha Entertainment Distribution Company	Saudi Arabia	Trading in electronic equipment	**100.00%**	-
Electronic Preparations International Company Limited	Saudi Arabia	Trading in electronic equipment	**100.00%**	-
Global Direct Televisions General Trading and Contracting Company WLL	Kuwait	General Trading and Contracting	**100.00%**	-
Digital Systems Company for Electrical and Electronic Equipment WLL	Kuwait	Trading in electronic equipment	**100.00%**	-
Global Direct TV Company Ltd.	Egypt	Trading in electronic equipment	**100.00%**	-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.5 BASIS OF CONSOLIDATION (continued)

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest as at 31 December **	
			2020	*2019*
Nile Communications Network SAE	Egypt	Managing and operating	**53.00%**	-
Digital for Technology Systems WLL	Egypt	General Trading and Contracting	**100.00%**	-
Orbit Communications Company WLL	Bahrain	Broadcasting TV and IP streaming	**100.00%**	-
Digital Media Systems WLL	Bahrain	Trading in satellite receiving equipment	**100.00%**	
Global Direct Television for Satellite Services LLC	Jordan	Installation and maintenance	**100.00%**	-
Digital System Company for Trading	Jordan	Trading in satellite receiving equipment	**100.00%**	-
Digital Media Satellite Company	Qatar	Trading in satellite receiving equipment	**100.00%**	-
Digital Media System SARL	Lebanon	Trading in satellite receiving equipment	**100.00%**	-
Entertainment Distribution Company SARL	Morocco	Trading in electronic equipment	**100.00%**	-

* For directly held subsidiaries effective interest represents effective ownership of the Group. For indirectly held subsidiaries, effective interest represents effective ownership of the respective Group subsidiaries.

(a) During the year, these entities became the subsidiary of the Group (note 3).

(b) The beneficial ownership of 40% was transferred to the major shareholder.

(c) These entities were disposed of, liquidated or merged during the year.

(d) These entities were acquired or additional stake purchased during the year.

(e) During the year, these entities have been classified as disposal group held for sale under other assets and other liabilities.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in consolidated income statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IFRS 9, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated income statement.

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

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

Financial Instruments
Date of recognition
Financial assets and liabilities are initially recognised on the settlement date, i.e. the date the asset is received from or delivered to the counterparty. Changes in fair value between the trade date and settlement date are recognised in the consolidated income statement or in consolidated statement of comprehensive income through cumulative changes in fair values in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the marketplace.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments as described below. Financial instruments are initially measured at their fair values except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtract from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in investment income. In those cases where fair value is based on models for which some inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in statement of income when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:
- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI),
- Fair Value through Profit and Loss (FVTPL)

Financial liabilities, other than financing commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

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

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Cash in hand and at banks, Treasury bills, bonds and other debt securities, loans and advances, certain investment securities and certain other assets are classified as financial instruments at amortised cost.

Due to banks and other financial institutions, deposits from customers, loans payable, bonds, medium term notes and other liabilities are classified as financial instruments at amortised cost.

Financial instruments categorised at amortised cost are subsequently measured at amortized cost and are subject to impairment. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective interest method (EIR). Gains and losses are recognised in consolidated income statement when the asset is derecognised, modified or impaired.

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. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. 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 observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

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 realised 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 interest (SPPI test)
As a second step of its classification process, the Group assesses whether the financial instruments to identify, meet SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis 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 payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Fair value through other comprehensive income (FVOCI)

Debt instruments at FVOCI
The Group classifies debt instruments at FVOCI if it meets both of the following conditions: -

- The contractual terms of the financial asset meet the SPPI test.
- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.

Debt instrument classified as FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Interest income and foreign exchange gains and losses are recognised in consolidated income statement. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to the consolidated income statement.

Equity instruments at FVOCI
Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by- instrument basis.

Equity instruments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange gains and losses are recognised in OCI. Dividends are recognised in consolidated income statement when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. On derecognition cumulative gains or losses will be reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. Further, equity instruments whose value is fully provided for will be treated in line with derecognition.

Financial instruments at FVTPL
Financial assets carried at FVTPL is initially recorded in the consolidated statement of financial position at fair value. The financial assets classified under this category are either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management designates an instrument as financial asset carried at FVTPL where even though it meets the classification criteria of financial asset carried at amortised cost or financial asset carried at FVOCI, this designation eliminates, or significantly reduces, the inconsistent accounting treatment that would otherwise arise. Such designation is determined on an instrument-by-instrument basis.

Financial assets carried at FVTPL are subsequently measured at fair value. The changes in fair value are recorded in the consolidated statement of income Interest earned or incurred on instruments designated at FVTPL is accrued in interest income using the effective interest rate method, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the consolidated statement of income as other operating income when the right to the payment has been established. Certain debt securities, equities and derivatives that are not designated as hedging instruments are classified as Financial assets carried at FVTPL.

Subsequent classification and measurement categories of financial liabilities
Financial liabilities, other than financial guarantees and loan commitments, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

The Group does not have any financial liability classified as FVTPL.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Financial instruments at FVTPL (continued)
Financial guarantees, letters of credit and undrawn loan commitments
The Group issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated income statement, and an expected credit loss (ECL) provision.

The premium received is recognised in the consolidated income statement in Fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 26.

Derivative financial instruments
The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks including exposures arising from forecast transactions and firm commitments.

Derivatives are recorded at fair value. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for held for trading derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated income statement.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial liability or a non-financial host are separated from the host and accounted for as separate derivatives if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative (as defined above); and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Reclassifications
Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition due to substantial modification of terms and conditions
The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Group considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Group considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

Derecognition other than for substantial modification
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition. The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; Or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; Or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Derecognition other than for substantial modification (continued)
Financial assets (continued)
When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in consolidated income statement.

Impairment of financial assets
Overview of the ECL principles
The Group records an allowance for expected credit loss for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), 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 (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

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

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: 12 months ECL
When loans are first recognised, the Group recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: Lifetime ECL – not credit impaired
When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Lifetime ECL – credit impaired
Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. As this uses the same criteria as under IAS 39, the Groups methodology for specific provisions remains largely unchanged. The Group records an allowance for the LTECLs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)
Overview of the ECL principles (continued)

POCI:
Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a portion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

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

- PD — The Probability of Default 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 facility has not been previously derecognised and is still in the portfolio.
- EAD — The Exposure at Default 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 interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD — The Loss Given Default 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 lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group considers three scenarios (a base case, an upside, a downside). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.
- Stage 3: For loans considered credit-impaired, the Group recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- Loan commitments and letter of credits: When estimating LTECLs for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

  For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan.
- Financial guarantee contracts: The Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated income statement, and the ECL provision. For this purpose, the Group estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

Impairment of financial assets (continued)

Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to consolidated income statement. The accumulated loss recognised in OCI is recycled to the consolidated income statement upon derecognition of the assets.

Forward looking information
The Group incorporates forward-looking economic inputs that are relevant to the region in which the Group is located, for both its assessment of significant increase in credit risk and its measurement of ECL. Qualitative overlays are made as and when necessary to correctly reflect the impact of the movement in the relevant economy on the Group. Incorporating forward-looking information increases the degree of judgement required. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

Collateral valuation
To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a regular basis.

Write-offs
Assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to Other income.

Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are only offset and the net amount reported in the consolidated financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

Hedge Accounting
The Group elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39. When a hedging relationship meets the specified hedge accounting criteria set out in IAS 39; the Group applies one of three types of hedge accounting: fair value hedges; cash flow hedges; or hedges of a net investment in a foreign operation.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also, at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges
The change in the fair value of hedging derivative is recognised in the consolidated income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the consolidated income statement over the remaining term to maturity. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Hedge Accounting (continued)

Fair value hedges (continued)
If the hedged item is derecognised, the unamortised fair value is recognised immediately in the consolidated income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the consolidated income statement. The Group uses forward foreign exchange contracts to hedge against changes in fair value of its foreign currency exposures.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in the consolidated income statement.

Amounts recognised as other comprehensive income are transferred to the consolidated income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the consolidated income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss. The Group uses interest rate swaps to hedge its cash flows on variable rate loans.

Hedge of net investments in foreign operations
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income as part of 'foreign currency translation adjustment', while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated income statement.

The Group uses forward currency contracts to hedge its exposure to foreign exchange risk on its investments in foreign subsidiaries. Gains or losses on the fair valuation of this forward currency contract are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries.

Cash and cash equivalents
For the purpose of the consolidated cash flow statement, cash and cash equivalents includes cash and bank balances, deposits and other short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

Fair value measurement
The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 30.

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

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

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

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

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

Inventories
Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition and are determined on the weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of the business, less any further costs expected to be incurred on completion and disposal. Inventories are included as part of other assets.

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

Cost includes free hold and leasehold rights for land, amount paid to contractors for construction, borrowing costs, planning and design costs, cost of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less costs to completion and the estimated cost of sale. Non refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

The cost of properties held for trading recognised in consolidated income statement on disposal is determined with reference to the specific cost incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. Write down of properties held for trading are charged to other operating expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment 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 made 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 to recognise 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 carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement 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 statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the 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 profit or loss of an associate and a joint venture is shown on the face of the consolidated income statement and represents profit or loss after 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 its associate or joint venture. At each reporting date, the Group determines whether there is 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 investments' in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the 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 consolidated income statement.

Investment properties
Investment properties comprise completed property and property under construction or re-development held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment properties when the definition of investment properties is met, and it is accounted for as a finance lease.

Investment properties are measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values are included in the consolidated income statement in the year in which they arise. For the purposes of these consolidated financial statements the assessed fair value is:

- Reduced by the carrying amount of any accrued income resulting from the spreading of lease incentives and/or minimum lease payments.
- Increased by the carrying amount of any liability to the holder of leasehold or freehold property included in the consolidated statement of financial position as a finance lease obligation.

Investment properties are derecognised when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment properties are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period consolidated financial statements.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated income statement.

Land is not depreciated. Depreciation is computed on a straight-line basis to their residual values over the estimated useful lives of other property, plant and equipment as follows:

Buildings	10 to 50 years
Hotels	20 to 50 years
Furniture and fixtures	3 to 10 years
Motor vehicles	3 to 5 years
Plant and equipment	3 to 20 years
Aircraft	15 years

Leasehold improvements are depreciated over the period of lease.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property, plant and equipment.

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

Leases
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The Group presents right-of-use assets in 'Other assets' & 'Property plant and equipment'.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Group as a lessor
Leases where the Group does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Rental income is recorded as earned based on the contractual terms of the lease in Other operating income. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. The estimated useful lives of intangible assets are as follows:

Licenses	10 years to indefinite
Brand name	Indefinite
Customer contracts, core deposits and student relationships	Up to 10 years

Licenses renewable at the end of the expiry period at little or no cost to the Group are assumed to have indefinite useful life.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the function of the intangible asset.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)
Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Contingent liabilities recognised in a business combination
A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of: the amount that would be recognised in accordance with the general guidance for provisions above in accordance with 'IAS 37: Provisions, Contingent Liabilities and Contingent Assets', or the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition in accordance with 'IFRS 15: Revenue recognition'.

End of service indemnity
Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on the reporting date.

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

Share based payment transactions
The Group operates an equity-settled, share-based Employee Stock Option Plan. Under the terms of the plan, stock options are granted to permanent employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the stock options is determined using Black-Scholes option pricing model further details of which are given in note 18. The fair value of the stock options is recognised as an expense over the vesting period with corresponding effect to equity.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated income statement expense or credit for a year represents the movement in cumulative expense recognised as at the beginning and end of that year.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and / or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share based payment transactions (continued)
Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of diluted earnings per share (Note 23).

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

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

Assets (including goodwill) and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the reporting date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences arising on translation are recognised in the other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated income statement.

Other reserve
Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

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

Income recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

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

Fees and commission
Fees and commission income is recognised when the Group satisfies the performance obligation by transferring the promised service to customers. At inception of the contract, the Group determines whether it satisfies the performance obligation over a period of time or at a point in time. Fees income earned from services provided over a period of time is recognised over the period of service. Fees and commissions arising from providing a transaction service are recognised at a point in time on completion of the underlying transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income recognition (Continued)

Interest income and expense
Interest income and expense are recognised in the consolidated income statement for all interest bearing instruments on EIR basis. The calculation includes all contractual terms of the financial instrument and includes any fee or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

Once a financial instrument categorised, as financial assets at fair value through other comprehensive income, financial assets held at amortized cost, and loans and advances is impaired, interest is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Media and digital satellite network services income
Media and digital satellite network services represent revenue from direct-to-home subscription, Pay TV channels ,OTT subscription, cable subscription, advertising activities, receiving and broadcasting of space channels against periodic subscriptions, and are recognised as and when the services are provided or rendered.

Hospitality and real estate income
Hospitality and real estate income include hotel and rental income. Rental income is recognised on a straight-line basis over the lease term. Hotel income represents the invoiced value of goods and services provided.

Manufacturing and distribution income
Manufacturing industries income is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer usually on delivery of the goods and the amount of revenue can be measured reliably.

Non-current assets held for sale and discontinued operations
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell unless the items presented in the disposal group are not part of the measurement scope as defined in IFRS 5. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement.

The fair value measurement for the disposal group is categorised as a Level 3 fair value hierarchy. The valuation technique used in measuring the fair value of the disposal group is estimated by applying market approach techniques comprising of comparable company valuation multiples derived from quoted prices (trading multiples) and from prices paid in such as acquisition transactions (transaction multiples). The fair value estimates are based on:

(a) assumed revenue multiples of companies deemed to be similar to disposal group
(b) assumed adjustments because of control that market participants would consider when estimating the fair value of the disposal group

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations are recognised in the consolidated income statement, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

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

Zakat
Contribution to Zakat is calculated at 1% of the profit of the Parent Company in accordance with the Ministry of Finance Resolution No. 58/2007.

Taxation on overseas subsidiaries
Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ('current tax') is recognised as an expense in the period in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)
Taxation on overseas subsidiaries (continued)
Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets and liabilities are measured using tax rates and applicable legislation at the reporting date.

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Parent Company's shareholders.

Dividends for the year that are approved after the consolidated statement of financial position date are disclosed as an event after the consolidated statement of financial position date.

Fiduciary assets
Assets and related deposits held in trust or in a fiduciary capacity are not treated as assets or liabilities of the Group and accordingly are not included in the consolidated statement of financial position.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed and is included in the same line item in the consolidated income statement.

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

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

Impact of COVID-19
The recent spread of the coronavirus ("COVID-19") across various geographies globally, which was declared a pandemic by the World Health Organization during the year ended 31 December 2020, has caused disruption to business and economic activities. The fiscal and monetary authorities around the world, including Kuwait, have announced various support measures across the globe to counter the possible adverse implications of COVID-19. These support measures include lowering the discount rate by 1–2 % across the geographies in which the Group operates. This note describes the impact of the outbreak on the Group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 December 2020.

(i) Credit risk management
The management of the Group has taken several measures to manage its risk associated with the pandemic, including identification of the most vulnerable sectors primarily affected and placing added measures to ensure a high level of scrutiny.

The uncertainties caused by COVID-19, and the steep decline in oil prices have required the Group to consider the impact of higher volatility in the forward-looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2020. For its international operations, the Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate.

Further, the Group has assessed the impact of the pandemic on ECL by testing various stress scenarios, including downgrading the risk rating of customers operating in the most negatively impacted industry sectors such as hospitality, real estate, banking and oil and gas.

One of the Group banking Subsidiaries, Burgan Bank, approved a payment holiday to retail customers due to Covid-19. The accounting impact of this transaction has been assessed and has been treated as per the requirements of IFRS 9 for modification of terms of arrangement which resulted in modification loss amounting to KD 8,499 thousand being recognized in the consolidated income statement.

2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of COVID-19 (continued)

(ii) Liquidity risk management

In response to the COVID-19 outbreak, the Group is evaluating its liquidity and funding position. The Group will continue to assess its liquidity position by closely monitoring its cash flows and forecasts.

(iii) Fair value measurement of financial instruments

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

(iv) Investment properties and properties held for trading ("non-financial assets")

As at the reporting date, the Group has considered potential impact on the carrying values of its non-financial assets as at 31 December 2020 taking into consideration the uncertainty involved in determining the effect on projected cash flows generated from these non-financial assets or the market participants expectations of the price depending on the approach used in determining the fair value of those assets at 31 December 2020. The Group is aware that certain geographies and sectors in which these assets exist are negatively impacted, and as the situation continues to unfold, the Group consistently monitors the market outlook and uses relevant assumptions in reflecting the values of these non-financial assets appropriately in the consolidated financial information.

2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognised in the consolidated financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

Judgements

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

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

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases of plant and machinery with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of plant and machinery with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Control assessment

When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgment.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Estimation uncertainty and assumptions

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

Impairment of goodwill and other intangibles with indefinite useful lives

The Group determines whether goodwill and other intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use or fair value less cost to sell of the cash-generating units to which the goodwill and other intangibles with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Expected Credit Losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions (continued)
Expected Credit Losses on financial assets (continued)

- The Group's internal credit grading model, which assigns PDs to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and/or
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

Fair values of assets and liabilities including intangibles
Considerable judgement by management is required in the estimation of the fair value of the assets including intangibles with definite and indefinite useful life, liabilities and contingent liabilities acquired as a result of business combination.

Fair value measurement of financial instruments
Where the fair value of financial assets recorded in the consolidated statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

The determination of the cash flows and discount factors for unquoted equity financial assets requires significant estimation.

Valuation of investment properties
Fair value of investment properties are assessed by independent real estate appraisers. Two main methods used to determine the fair value of property interests in investment properties are; (a) formula based discounted cash flow analysis and (b) comparative analysis, as follows:

a) Formula based discounted cash flow, is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

b) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

In arriving at the estimates of market values as at 31 December 2020, valuers used their market knowledge and professional judgment and did not rely solely on historical transactional comparable. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment properties than would exist in a more active market.

The significant methods and assumptions used by valuers in estimating fair value of investment property are stated in Note 10.

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2.7 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty and assumptions (continued)
Techniques used for valuing investment properties
The discounted cash flow method involves the projection of a series of periodic cash flows either to an operating property or a development property. To this projected cash flow series, an appropriate, market derived discount rate is applied to establish an indication of the present value of the income stream associated with the property. The calculated periodic cash flow is typically estimated as gross rental income less vacancy and collection losses and less operating expenses/outgoings. A series of periodic net operating incomes, along with an estimate of the reversion/terminal/exit value (which uses the traditional valuation approach) anticipated at the end of the projection period, are discounted to present value. The aggregate of the net present values equals the fair value of the property.

The Residual Method (or Hypothetical Development Approach) to estimating fair value is a combination of the Capitalisation (income) approach and a Cost approach (summation). The Residual Method is defined as: "A method of determining the value of a property which has potential for development, redevelopment or refurbishment. The estimated total cost of the work, including fees and other associated expenditures, plus allowance for interest, developer's risk and profit, is deducted from the gross value of the completed project. The resultant figure is then adjusted back to the date of valuation to give the residual value."

2.8 RESTATEMENT

During the current year one of the Group's entities completed its assessment for "right of use asset" and "lease liability" as per IFRS 16 for the year ended 31 December 2019. This has been accounted for retrospectively in accordance with IAS 8: Accounting policies, changes in accounting estimates. Adjustments due to IFRS 16 and other restatements have been made to the comparative financial statement which resulted in an increase in 'loans and advances' by KD 112,100 thousand, increase in 'other assets' by KD 57,017 thousand, increase in 'investment in associates' by KD 1,280 thousand, decrease in 'deposits from customers' by KD 67,316 thousand, increase in 'other liabilities' by KD 240,022 thousand, decrease in 'retained earnings' by KD 1,359 thousand and decrease in 'non-controlling interest' by KD 950 thousand as at 31 December 2019. Further, adjustments made to the comparative financial information as at 1 January 2019 due to IFRS 16, resulted in an increase in 'other assets' and 'other liabilities' by KD 64,219 thousand.

The restatement also resulted in an increase in the 'interest expense' by KD 2,180 thousand, decrease in 'media and digital satellite network services expenses' by KD 882 thousand, increase in the 'general and administrative expenses' by KD 400 thousand, increase in 'Provision for credit losses' by KD 611 thousand, decrease in profit attributable to the equity holders of the Parent Company by KD 1,359 thousand and decrease in 'non-controlling interest' by KD 950 thousand in the consolidated income statement for the year ended 31 December 2019.

The restatements for the prior year also include retrospective adjustment relating to investment in Panther Media Group Limited in accordance with IAS 28 "Investment in Associates and Joint Ventures" as disclosed in the note 3.

3 INVESTMENT IN PANTHER MEDIA GROUP LIMITED

As at 31 December 2019, Panther Media Group Limited 'PMGL' was classified as "Assets held for sale" in accordance with IFRS 5 "Non-Current assets held for sale and discontinued operations". During the prior year, a dispute arose between PMGL partners over ownership of certain shares issued in connection with capital calls made by the board of PMGL in which the Group has contributed. This dispute was finally resolved in March 2020 by an arbitration panel. As a result of this and contributions to further capital calls, the Group's effective ownership in PMGL increased from 60.5% to 87.6%. In view of these developments, the management of Parent Company concluded that it was able to exercise control over the PMGL and therefore, it became a subsidiary of the Group in March 2020.

The Group also discussed the above developments and prevailing circumstances with the investment banker and decided to update PMGL sale process timelines. As a result, the board of directors of the Group determined that the Group's investment in PMGL no longer meets the criteria of IFRS 5. Accordingly, in accordance with IAS 28: "Investment in Associates and Joint Ventures", the investment in PMGL has been retrospectively accounted using the equity method from the date of its classification as "Assets held for sale" (8 August 2018). The effect of the restatement on the comparative consolidated financial statement is as follows:

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3 INVESTMENT IN PANTHER MEDIA GROUP LIMITED (continued)

	31 December 2019	
	Previously reported KD 000's	*Restated KD 000's*
Asset held for sale	210,931	-
Share of results from a media joint venture	-	(68,002)
Investment in a media joint venture *	-	125,049

*The carrying value is also impacted by KD 17,880 thousand representing the share of loss recorded in retained earnings as at 1 January 2019.

On PMGL becoming a subsidiary, it was accounted for in accordance with IFRS 3: "Business combinations". Since the business combination was achieved in stages, the Group remeasured its previously held equity interest in PMGL at the acquisition date and recognized a gain of KD 75,893 thousand (Note 19).

The provisional fair values of assets acquired, and liabilities assumed, as well as the non-controlling interest (at the proportionate share of the acquiree's identifiable net liabilities assumed) are summarized as follows:

	Provisional fair values KD 000's
Assets	
Cash in hand and at banks	13,806
Property and equipment	16,564
Programme rights and contract assets (included in other assets)	35,908
Right-of-use assets (included in other assets)	27,002
Other assets	23,651
	116,931
Liabilities	
Loans payable	111,191
Accounts payable, deferred income and accruals (included in other liabilities)	70,047
Lease liability (included in other liabilities)	37,233
Other liabilities	28,679
	247,150
Net liabilities assumed	(130,219)
Fair value of previously held equity interest	232,120
Non-controlling interests in acquiree	(16,146)
Provisional Goodwill (included in intangible assets)	**346,193**

The Group is in the process of assessing the fair values of identifiable assets and liabilities along with other intangible assets and these are subject to change on the completion of Purchase Price Allocation ("PPA") exercise.

Had the business combination taken place at the beginning of the year, revenue of the Group would have been higher by KD 32,164 thousand and profit would have been lower by KD 757 thousand respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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4 CASH IN HAND AND AT BANKS

	2020 **KD 000's**	*2019* KD 000's
Cash and bank balances	**902,394**	813,773
Deposits with original maturities up to three months	**411,378**	757,962
Expected credit losses	**(2,853)**	(199)
Cash and cash equivalents	**1,310,919**	1,571,536
Add: deposits with original maturities exceeding three months	**35,946**	10,433
Cash in hand and at banks as per consolidated statement of financial position	**1,346,865**	1,581,969
Cash and cash equivalents attributable to disposal group held for sale	**145,086**	-
Less: deposits with original maturities exceeding three months	**(35,946)**	(10,433)
Cash and cash equivalents as per consolidated statement of cash flows	**1,456,005**	1,571,536

5 LOANS AND ADVANCES

The composition of loans and advances, classified by type of borrower, is as follows:

	2020 **KD 000's**	*2019* KD 000's
Corporate	**4,330,023**	4,324,686
Banks and financial institutions	**387,960**	578,884
Retail	**463,376**	487,060
	5,181,359	5,390,630
Less: Allowance for ECL	**(235,862)**	(205,957)
	4,945,497	5,184,673

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

	Stage 1 **KD 000's**	***Stage 2*** **KD 000's**	***Stage 3*** **KD 000's**	***2020 Total*** **KD 000's**
Internal rating grade				
Performing				
High grade	**1,022,878**	**17,718**	**-**	**1,040,596**
Standard grade	**3,004,477**	**564,359**	**-**	**3,568,836**
Past due but not impaired	**53,619**	**183,437**	**-**	**237,056**
Non – performing				
Individually impaired	**-**	**-**	**334,871**	**334,871**
Total	**4,080,974**	**765,514**	**334,871**	**5,181,359**

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5 LOANS AND ADVANCES (continued)

	Stage 1 KD 000's	*Stage 2 KD 000's*	*Stage 3 KD 000's*	*2019 Total KD 000's*
Internal rating grade				
Performing				
High grade	1,343,693	19,597	-	1,363,290
Standard grade	2,976,340	565,355	-	3,541,695
Past due but not impaired	93,319	154,428	-	247,747
Non – performing				
Individually impaired	-	-	237,898	237,898
Total	4,413,352	739,380	237,898	5,390,630

Following is the stage wise break-up of the gross carrying amount of loans and advances and related ECL:

	Stage 1 KD 000's	***Stage 2 KD 000's***	***Stage 3 KD 000's***	***Total KD 000's***
Loans and advances	**4,080,974**	**765,514**	**334,871**	**5,181,359**
ECL allowances	**(39,942)**	**(46,068)**	**(149,852)**	**(235,862)**
As at 31 December 2020	**4,041,032**	**719,446**	**185,019**	**4,945,497**
Loans and advances	4,413,352	739,380	237,898	5,390,630
ECL allowances	(24,411)	(57,880)	(123,666)	(205,957)
As at 31 December 2019	4,388,941	681,500	114,232	5,184,673

An analysis of changes in the ECL allowances in relation to loans and advances, as follows:

	Stage 1 KD 000's	***Stage 2 KD 000's***	***Stage 3 KD 000's***	***Total KD 000's***
ECL allowance				
Balance at 1 January 2020	**24,411**	**57,880**	**123,666**	**205,957**
Net transfers between stages	**(2,310)**	**(19,123)**	**21,433**	**-**
Charge during the year	**18,082**	**7,196**	**35,946**	**61,224**
Amounts written off during the year	**-**	**-**	**(24,383)**	**(24,383)**
Transfer to disposal group held for sale (Note 8)	**-**	**(114)**	**(7,817)**	**(7,931)**
Foreign exchange	**(241)**	**229**	**1,007**	**995**
At 31 December 2020	**39,942**	**46,068**	**149,852**	**235,862**

An analysis of changes in the ECL allowances in relation to loans and advances, as follows:

	Stage 1 KD 000's	*Stage 2 KD 000's*	*Stage 3 KD 000's*	*Total KD 000's*
ECL allowance				
Balance at 1 January 2019	27,947	58,181	118,952	205,080
Net transfers between stages	1,523	(2,127)	604	-
(Recovery) / charge during the year	(5,197)	1,368	34,113	30,284
Amounts written off during the year	-	-	(28,980)	(28,980)
Foreign exchange	138	458	(1,023)	(427)
At 31 December 2019	24,411	57,880	123,666	205,957

Provision for credit losses recognised in the consolidated income statement also includes expected credit losses "ECL" charge on cash in hand and at banks amounting to KD 2,654 thousand (2019: Recovery of KD 349 thousand), ECL charge on other debt securities amounting to KD 2,880 thousand (2019: Recovery of KD 173 thousand) and ECL charge on other assets amounting to KD 3,521 thousand (2019: KD 1,691 thousand). Recovery of ECL charge on non-cash facilities amounting to KD 4,603 thousand (2019: Recovery of KD 6,214 thousand) (note 26).

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6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 KD 000's	*2019 KD 000's*
Quoted equity securities	**16,290**	15,124
Unquoted equity securities	**4,921**	5,390
Quoted debt securities	**6,087**	5,085
Managed funds	**87,742**	123,298
Forfaiting assets	**137,168**	139,475
Unquoted debt securities	**-**	250
	252,208	288,622

Refer to note 29.4.3 for geographical distribution of equity instruments and note 30 for fair value measurement.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 KD 000's	*2019 KD 000's*
Quoted financial assets		
Equities	**14,998**	27,721
Debt securities	**299,265**	205,168
	314,263	232,889
Unquoted financial assets		
Equities	**62,836**	77,301
Debt securities	**13,658**	12,096
	76,494	89,397
Managed funds	**1,170**	**-**
	391,927	322,286

Refer note 29.4.3 for geographical distribution of equity instruments and note 30 for fair value measurement.

8 OTHER ASSETS

	2020 KD 000's	*2019 KD 000's*
Net accounts receivable	**165,529**	139,207
Accrued interest and other income receivable	**96,292**	128,101
Prepayments	**55,705**	23,986
Assets pending sale *	**108,162**	107,596
Others **	**392,836**	184,298
	818,524	583,188

* The assets pending sale are arising from the operating activities of the commercial banking subsidiaries of the Group. These assets are carried at lower of cost or net realizable value. The net realizable value of real estate assets included in assets pending for sale are based on valuations performed by accredited independent valuators by using market comparable method. As the significant valuation inputs used are based on unobservable market data these are classified under level 3 fair value hierarchy. However, the impact on the consolidated income statement would be immaterial if the relevant risk variables used to fair value were altered by 5%.

**During the year, the Group's subsidiaries "Burgan", "JKB" and "NAH" classified their investments in "BOB", Specialized Managerial Company for Investment and Financial Consultation and Kandil Glass S.A.E. respectively as disposal group held for sale. As at 31 December 2020, the Group has carried those investments at the lower of carrying value or fair value less cost to sale amounting to KD 229,854 thousand.

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9 INVESTMENT IN ASSOCIATES

Name of company	*Country of incorporation*	*Principal activities*	*Effective interest*		*Carrying value*	
			2020	*2019*	***2020 KD 000's***	*2019 KD 000's*
Qurain Petrochemical Industries Company K.S.C.P. ("QPIC")	Kuwait	Petrochemical activities	**31.77%**	31.69%	**172,410**	179,783
Gulf Insurance Group K.S.C.P. ("GIG")	Kuwait	Insurance	**46.20%**	46.20%	**84,810**	82,068
Advance Technology Company K.S.C.P. ("ATC")	Kuwait	Trading	**29.08%**	29.08%	**45,285**	44,988
Al-Fujeira Real Estate Limited	U.A. E	Real estate	**50.00%**	50.00%	**6,844**	6,528
Manafae Holding Company K.S.C.(Closed).	Kuwait	Investment	**39.06%**	37.93%	**3,116**	3,458
Kandil Glass S.A.E. (a)	Egypt	Manufacturing	**50.00%**	50.00%	**-**	2,905
First Real Estate Investment Company K.S.C. (Closed)	Kuwait	Real estate	**19.80%**	19.80%	**4,314**	4,477
United Capital Transport Company K.S.C. (Closed)	Kuwait	Services	**40.00%**	39.80%	**2,019**	2,551
Kuwait Hotels Company K.S.C.P. ("KHC")	Kuwait	Hotels	**35.54%**	35.54%	**1,722**	1,963
SSH Dar International Engineering Consultancy	Bahrain	Engineering	**29.03%**	29.03%	**-**	-
N.S.88 SPC	Bahrain	Real Estate	**20.00%**	20.00%	**3,028**	3,462
Saidal Norah Manufacturing	Algeria	Manufacturing	**49.00%**	49.00%	**-**	-
Al Thaniya Real Estate Company P.S.C	Jordan	Real Estate	**50.00%**	50.00%	**7**	8
Insha'a Holding Company	Kuwait	Manufacturing	**40.00%**	40.00%	**6,483**	6,250
Kamco Investment fund	Kuwait	Fund	**26.85%**	22.88%	**8,456**	9,336
KAMCO Real Estate Yield Fund	Kuwait	Real Estate Fund	**35.77%**	37.62%	**3,081**	4,165
Lotus Financial Investments Co. (b)	Jordan	Financial Services	**-**	45.06%	**-**	57
Fina Corporation (c)	Tunisia	Financial Services	**49.00%**	49.00%	**-**	70
Syria Gulf Bank S.A. ("SGB")	Syria	Banking	**31.00%**	31.00%	**3,113**	1,280
Shams Ad-Dhahira Generating Company SAOC	Oman	Manufacturing	**10.00%**	10.00%	**-**	-
Gardens Real Estate Co. WLL (b)	Kuwait	Real estate	**25.00%**	-	**4,377**	-
					349,065	353,349

(a) During the year one of the Group's subsidiary "NAH" classified its investment in Kandil Glass as assets held for sale as part of other assets (note 8).

(b) These entities were disposed of /formed during the year.

(c) During the year, one of the Group's subsidiary "KAMCO" assessed the recoverable amount of its investment in Fina Corporation and fully impaired it.

Investment in associates include quoted associates with a carrying value of KD 304,227 thousand (2019: KD 308,802 thousand) having quoted market value of KD 205,314 thousand (represents QPIC: KD 109,698 thousand, GIG: KD 69,424 thousand, ATC: KD 24,862 thousand and KHC: KD 1,330 thousand) (2019: KD 194,953 thousand (represents QPIC: KD 100,610 thousand, GIG: KD 56,778 thousand, ATC: KD 35,330 thousand and KHC: KD 2,235 thousand) . In accordance with IAS 36, 'Impairment of Assets', the Group's recoverable amount of the above associates (i.e. value in use) was in excess of their carrying values and accordingly no impairment was recognised against these investments during the year.

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9 INVESTMENT IN ASSOCIATES (continued)

Summarized financial information of associates that are individually material to the Group before inter-company eliminations is as follows:

31 December 2020	***QPIC KD 000's***	***GIG KD 000's***	***ATC * KD 000's***
Associates' statement of financial position:			
Current assets	**174,565**	**325,887**	**265,878**
Non-current assets	**582,642**	**474,821**	**45,075**
Current liabilities	**68,340**	**256,535**	**205,383**
Non-current liabilities	**108,895**	**398,843**	**46,389**
Equity	**579,972**	**145,330**	**59,181**
Equity attributable to shareholders of associates	**403,186**	**117,402**	**59,181**
Group's ownership interest	**31.77%**	**46.20%**	**29.08%**
Proportion of equity attributable to Group's ownership interest **	**128,092**	**54,240**	**17,210**
Associates' revenue and results:			
Income	**257,500**	**210,834**	**139,359**
Total profit for the year	**39,511**	**20,094**	**2,691**
Group's share of the profit attributable to the equity holders	**6,824**	**8,314**	**783**
Dividends received during the year	**5,193**	**3,269**	**436**
Group's share of contingent liabilities and commitments	**10,846**	**27,690**	**33,957**

31 December 2019	*QPIC KD 000's*	*GIG KD 000's*	*ATC * KD 000's*
Associates' statement of financial position:			
Current assets	174,208	339,071	237,340
Non-current assets	615,342	424,095	43,923
Current liabilities	71,164	251,170	173,505
Non-current liabilities	122,339	377,150	49,595
Equity	596,047	134,846	58,163
Equity attributable to shareholders of associates	427,501	108,802	58,163
Group's ownership interest	31.69%	46.20%	29.08%
Proportion of equity attributable to Group's ownership interest **	135,475	50,267	16,914
Associates' revenue and results:			
Income	257,974	205,320	145,202
Total profit for the year	60,770	15,283	3,291
Group's share of the profit attributable to the equity holders	13,824	6,840	957
Dividends received during the year	5,193	2,966	654
Group's share of contingent liabilities and commitments	9,901	25,563	30,543

*Income, profit, and balance sheet items are based on 12 months ending 30 September 2020 and 30 September 2019.

**Difference between carrying value and proportion of equity attributable to Group's ownership interest materially represents goodwill.

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9 INVESTMENT IN ASSOCIATES (continued)

Summarized financial information of all the individually immaterial associates before inter-company eliminations is as follows:

	2020 KD 000's	*2019 KD 000's*
Associates' statement of financial position:		
Total assets	**195,322**	197,259
Total liabilities	**49,661**	49,104
Equity	**145,661**	148,155
Associates' revenue and results:		
Income	**20,702**	47,106
Total (loss) profit for the year	**(1,218)**	7,811

10 INVESTMENT PROPERTIES

	2020 KD 000's	*2019 KD 000's*
Land for development	**199,230**	189,645
Projects under construction	**92,794**	92,695
Developed properties	**332,234**	348,054
	624,258	630,394

The movement in investment properties during the year was as follows:

	2020 KD 000's	*2019 KD 000's*
As at 1 January	**630,394**	625,409
Additions	**3,988**	5,829
Disposals	**(188)**	(7,370)
Change in fair value (note 19)	**(5,088)**	9,958
Reclassification from investment properties to property, plant and equipment	**(5,076)**	(3,859)
Exchange adjustments	**228**	427
As at 31 December	**624,258**	630,394

Valuation of investment properties were conducted as at 31 December 2020 by independent appraisers with a recognized and relevant professional qualification and recent experience of the location and category of investment property being valued. The discounted future cash flow method or property market value method have been used as deemed appropriate considering the nature and usage of the property.

Profit related to developed properties carried at fair value are as follows:

	2020 KD 000's	*2019 KD 000's*
Rental income	**22,443**	29,317
Direct operating expenses	**(6,397)**	(7,439)
Profit arising from investment properties carried at fair value	**16,046**	21,878

Included under investment properties are buildings constructed on land leased from the Government of Kuwait amounting to KD 95,818 thousand (2019: KD 109,438 thousand). The lease periods for the plots of land leased from the Government of Kuwait and others range from 1 to 50 years.

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10 INVESTMENT PROPERTIES (continued)

Fair value hierarchy
The fair value measurement of investment properties has been categorized as level 3 fair value based on inputs to the valuation technique used.

The following main inputs have been used for valuations as at the reporting date:

	Investment properties			
	Office properties		***Retail properties***	
	2020	*2019*	***2020***	*2019*
	%	*%*	***%***	*%*
Average net initial yield	**8**	10	**10**	10
Reversionary yield	**9**	11	**11**	11
Inflation rate	**3**	4	**2**	4
Long-term vacancy rate	**15**	10	**13**	10
Long-term growth in real rental rates	**2**	3	**3**	3

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

Significant unobservable inputs	**Sensitivity**	***2020*** **Impact on fair value** ***KD 000's***	*2019* Impact on fair value *KD 000's*
Average net initial yield	± 1%	**+29,319** **-28,612**	+31,201 -29,692
Reversionary yield	± 1%	**+23,212** **-21,151**	+24,609 -22,147
Inflation rate	± 25 basis points	**+4,490** **-5,324**	+4,844 -5,859
Long-term vacancy rate	± 1%	**-3,593** **+3,722**	-3,810 +3,977
Long-term growth in real rental rates	± 1%	**+7,328** **-7,358**	+7,679 -7,725

11 INTANGIBLE ASSETS

	Goodwill ***KD 000's***	***Other intangibles*** ***KD 000's***	***Total*** ***KD 000's***
Gross carrying amount:			
As at 1 January 2020	177,958	237,653	415,611
Acquisition of a subsidiary (note 3)	346,193	-	346,193
Impairment	(40,673)	-	(40,673)
Exchange adjustment	(12,251)	(759)	(13,010)
As at 31 December 2020	**471,227**	**236,894**	**708,121**
Accumulated amortisation:			
As at 1 January 2020	-	(97,679)	(97,679)
Charge for the year	-	(3,977)	(3,977)
As at 31 December 2020	**-**	**(101,656)**	**(101,656)**
Net carrying amount:			
As at 31 December 2020	**471,227**	**135,238**	**606,465**

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11 INTANGIBLE ASSETS (continued)

	Goodwill KD 000's	*Other intangibles KD 000's*	*Total KD 000's*
Gross carrying amount:			
As at 1 January 2019	184,608	236,409	421,017
Impairment	(6,644)	-	(6,644)
Exchange adjustment	(6)	1,244	1,238
As at 31 December 2019	177,958	237,653	415,611
Accumulated amortisation:			
As at 1 January 2019	-	(92,524)	(92,524)
Charge for the year	-	(5,155)	(5,155)
As at 31 December 2019	-	(97,679)	(97,679)
Net carrying amount:			
As at 31 December 2019	177,958	139,974	317,932

Goodwill and intangible assets with indefinite life
The carrying value of goodwill and intangible assets with indefinite life are tested for impairment on an annual basis (or more frequently if evidence exists that goodwill and intangible assets with indefinite life might be impaired) by estimating the recoverable amount of the cash-generating unit ("CGU") to which these items are allocated using value-in-use calculations unless fair value based on active market price is higher than the carrying value of the CGU. The carrying amount of goodwill and intangible assets with indefinite life allocated to each cash-generating unit is disclosed under segment information (note 28). The recoverable amount of each segment unit has been determined based on a value in use calculation or fair value less cost to sell approach. For value in use calculation cash flow projections used were approved by senior management covering a five-year period. The discount rates used range from 9% to 17% (2019: from 9% to 20%) applied to cash flow projections over a five-year period. Cash flows beyond the five-year period are extrapolated using a projected growth rate in a range of 3% to 5% (2019: from 3% to 5%). For fair value less cost to sell approach, the revenue multiples were used of recent comparable acquisition transactions (transaction multiples) and valuation multiples derived from quoted prices (trading multiples). To identify appropriate revenue multiples, Management identified a sample of Group peers based on business activities and markets served from the testing date. Where appropriate, Management has also applied a control premium of 30% to the observed multiples where a majority stake was not acquired. The recoverable amount of the CGU was determined by applying the adjusted revenue multiples to the actual 2020 consolidated revenue of the Group, less adjusted net debt at 31 December 2020.

The calculation of value in use for each segment unit is sensitive to the following assumptions:
- Interest margins;
- Discount rates;
- Market share assumptions
- Projected growth rates used to extrapolate cash flows beyond the budget period; and
- Inflation rates.

Interest margins:
Interest margins are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates:
Discount rates reflect management's estimate of return on capital employed (ROCE) required in each business. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. Discount rates are calculated by using the Weighted Average Cost of Capital (WACC).

Market share assumptions:
These assumptions are important because, as well as using industry data for growth rates, management assess how the unit's relative position to its competitors might change over the budget period.

Projected growth rates:
Assumptions are based on published industry research.

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11 INTANGIBLE ASSETS (continued)

Goodwill and intangible assets with indefinite life (continued)

Inflation rates:
Estimates are obtained from published indices for countries where the Group operates.

Management believes that the calculation of the fair value less costs to sell is most sensitive to the adjusted revenue multiple as adjusted for estimated costs to sell.

Sensitivity to changes in assumptions
Management has determined that the potential effect of using reasonably possible alternatives as inputs to the valuation model would materially affect the amount of goodwill and intangibles using less favorable assumptions.

The net carrying amount and remaining useful life of intangible assets is as follows:

	Remaining useful life as at 31 December 2020	***2020 KD 000's***	*2019 KD 000's*
Intangibles with indefinite life:			
Licenses and brand name	Indefinite	**97,056**	97,056
Intangibles with definite life:			
Licenses	1 to 17.5 years	**31,562**	33,169
Customer contracts, core deposits and student relationships	Up to 9 years	**6,620**	9,749
		135,238	139,974

12 MATERIAL PARTLY - OWNED SUBSIDIARIES

The Group has concluded that Burgan, URC and JKB (2019: Burgan, URC and JKB) are the only subsidiaries with non-controlling interests that are material to the Group. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2020 KD 000's	*2019 KD 000's*
Burgan	**327,628**	345,912
URC	**18,728**	24,194
JKB	**79,653**	96,261

Profit/(loss) allocated to material non-controlling interests:

	2020 KD 000's	*2019 KD 000's*
Burgan	**14,745**	40,889
URC	**(4,283)**	(1,393)
JKB	**(2,164)**	7,214

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

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12 MATERIAL PARTLY - OWNED SUBSIDIARIES (continued)

Summarised income statement for the year ended 31 December:

	2020			*2019*		
	Burgan* KD 000's	***URC KD 000's***	***JKB KD 000's***	*Burgan* KD 000's*	*URC KD 000's*	*JKB KD 000's*
Income	**343,013**	**88,645**	**68,066**	427,626	114,195	79,207
Expenses	**(304,625)**	**(105,280)**	**(70,686)**	(330,984)	(119,596)	(59,173)
Taxation	**(4,302)**	**(42)**	**688**	(11,771)	(1,524)	(7,221)
Profit (loss) for the year	**34,086**	**(16,677)**	**(1,932)**	84,871	(6,925)	12,813
Total comprehensive (loss) / income	**(22,696)**	**(14,281)**	**(1,198)**	50,612	(6,363)	14,541
Attributable to non-controlling interests	**(7,653)**	**(3,464)**	-	(285)	605	-
Dividends paid to non-controlling interests	**12,743**	-	-	11,851	-	4,180

	2020			*2019*		
	Burgan* KD 000's	***URC KD 000's***	***JKB KD 000's***	*Burgan* KD 000's*	*URC KD 000's*	*JKB KD 000's*
Total assets	**7,106,084**	**608,060**	**1,203,534**	7,081,013	622,798	1,179,679
Total liabilities	**6,226,320**	**411,821**	**1,008,035**	6,128,755	412,278	982,980
Equity	**879,764**	**196,239**	**195,499**	952,258	210,520	196,699
Attributable to:						
Equity holders of material subsidiaries	**687,273**	**176,098**	**195,499**	751,160	186,915	196,699
Perpetual capital securities	**151,625**	-	-	151,525	-	-

* *The Summarized financial information is presented as per published financial statements of Burgan bank based on IFRS as adopted by Central Bank of Kuwait (CBK) for use by the State of Kuwait.*

Summarised cash flow information for year ended 31 December:

	2020			*2019*		
	Burgan KD 000's	***URC KD 000's***	***JKB KD 000's***	*Burgan KD 000's*	*URC KD 000's*	*JKB KD 000's*
Operating	**172,786**	**11,514**	**31,271**	(348,939)	20,549	93,614
Investing	**(113,960)**	**(5,090)**	**(40,765)**	6,894	(10,628)	4,929
Financing	**181,719**	**5,206**	**14,749**	(45,606)	(20,453)	(255)
Net increase (decrease) in cash and cash equivalents	**240,545**	**11,630**	**5,255**	(387,651)	(10,532)	98,288

13 LOANS PAYABLE

	2020 KD 000's	*2019 KD 000's*
Loans with maturity within 1 year	**481,574**	862,411
Loans with maturity above 1 year	**1,060,869**	536,579
	1,542,443	1,398,990
Less: inter-group borrowings	**(798,330)**	(694,011)
	744,113	704,979

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14 BONDS

	2020 KD 000's	*2019 KD 000's*
Issued by the Parent Company:		
Fixed interest of 5.25% per annum and maturing on 28 December 2024	**35,734**	35,676
Floating interest of 2.25% per annum above the CBK discount rate and maturing on 28 December 2024	**63,527**	63,424
Fixed rate bond at 5.50% per annum and maturing on 8 November 2023	**13,936**	13,916
Floating rate bonds at 2.25% plus CBK discount rate (Capped at 6.5%) per annum and maturing on 8 November 2023	**85,608**	85,485
Issued by subsidiaries:		
Fixed interest of 5.75% per annum and maturing on 19 April 2023	**32,150**	32,150
Floating interest of 2.5% per annum above the CBK discount rate and maturing on 19 April 2023	**27,850**	27,850
Fixed interest of 6% per annum and maturing on 9 March 2026 *	**29,913**	29,877
Floating interest of 3.95% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 9 March 2026 *	**69,467**	69,383
Fixed interest of 4.125% per annum and maturing 30 December 2021	**99,862**	99,724
Fixed interest of 6% per annum and maturing on 26 July 2023	**14,900**	14,900
Floating interest of 2.75% per annum above the CBK discount rate (capped at 7% per annum) and maturing on 26 July 2023	**25,100**	25,100
Fixed interest of 5% per annum and maturing on 15 October 2023	**4,712**	-
Fixed interest of 2.75% per annum and maturing 15 December 2031	**150,755**	-
	653,514	497,485
Less: inter-group eliminations	**(21,537)**	(22,000)
	631,977	475,485

* Subsequent to the reporting period one of the Group's subsidiary has fully redeemed KD 100 million subordinated bonds issued on 9 March 2016, callable at the option of the bank after 5 years from the date of issuance. The bonds had a ten-year tenor and a call option for redemption on any interest payment date falling on or after the fifth anniversary of the issue date.

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15 MEDIUM TERM NOTES

	2020 KD 000's	*2019 KD 000's*
Euro medium term notes (EMTN) issued by the Parent Company through a SPE:		
Fixed rate notes amounting to US$ 500 million having a term of 10 years maturing on 23 February 2027 and carrying a coupon interest rate of 4.5% per annum payable on a semiannual basis. The notes are listed on the London Stock Exchange.	**148,709**	148,213
Fixed rate notes amounting to US$ 500 million having a term of 10 years maturing on 15 July 2020 and carrying a coupon interest rate of 9.375% per annum payable on a semiannual basis. The notes are listed on the London Stock Exchange. These notes were repaid on 15 July 2020.	**-**	151,365
Fixed rate notes amounting to US$ 500 million having a term of 7 years maturing on 15 March 2023 and carrying a coupon interest rate of 5% per annum payable on a semiannual basis. The notes are listed on the London Stock Exchange.	**151,625**	151,525
Fixed rate notes amounting to US$ 500 million having a term of 7 years maturing on 29 October 2026 and carrying a coupon interest rate of 4.229% per annum payable on a semiannual basis. The notes are listed on the London Stock Exchange.	**151,337**	151,199
Issued by subsidiaries through SPEs:		
Fixed rate notes amounting to US$ 500 million having a term of 5 years maturing on 14 September 2021 and carrying a coupon interest rate of 3.125% per annum. The notes are listed on the Irish Stock Exchange.	**151,416**	151,021
	603,087	753,323
Less: inter-group eliminations	**(1,830)**	(910)
	601,257	752,413

16 OTHER LIABILITIES

	2020 KD 000's	*2019 KD 000's*
Accounts payable	**481,458**	410,774
Accrued interest and expenses	**159,172**	159,142
Taxation payable	**3,081**	16,480
Others*	**404,698**	177,618
	1,048,409	764,014

* During the year, the Group's subsidiaries "Burgan" and "JKB" classified their investments in "BOB" and Specialized Managerial Company for Investment and Financial Consultation as disposal group held for sale. As at 31 December 2020, the Group has classified KD 193,825 thousand as liabilities associated with disposal group held for sale.

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17 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, RESERVES, APPROPRIATIONS AND PERPETUAL CAPITAL SECURITIES

a) Share capital

	2020 KD 000's	*2019 KD 000's*
Authorised share capital (shares of 100 fils each)	**200,000**	200,000
Issued and fully paid up capital (shares of 100 fils each) *	**200,000**	200,000

* This comprises 1,502,369,362 shares (31 December 2019: 1,502,369,362 shares) which are fully paid up in cash, whereas 497,630,638 shares (31 December 2019: 497,630,638 shares) were issued as bonus shares.

b) Share premium
The share premium is not available for distribution.

c) Treasury shares

	2020	*2019*
Number of treasury shares	**187,371,442**	187,630,160
Percentage of capital	**9.37%**	9.38%
Market value – KD 000's	**29,792**	40,528

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

d) Statutory reserve
In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers, when the reserve exceeds 50% of share capital. The statutory reserve is not available for distribution except in certain circumstances stipulated by Law and the Parent Company's Articles of Association. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

Since the statutory reserve exceeds 50% of the Parent company's issued capital, the Board of Directors of the Parent Company resolved to discontinue the transfer to statutory reserve, which was approved by the General Assembly of the Company held on 5 April 2017.

e) Voluntary reserve
In accordance with the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' Annual General Assembly upon a recommendation by the Board of Directors. There is no restriction on distribution of this reserve. As per the decision of the Board of Directors meeting held on 7 March 2017, the Board recommended to Shareholders' General Assembly to discontinue the transfer to voluntary reserve, which was approved by the General Assembly of the Parent Company held on 5 April 2017.

During the year, the Board of Directors of the Parent Company proposed the transfer of KD 30,000 thousand to retained earnings. This transfer is subject to approval of the Shareholders' general assembly.

f) Dividend
The Board of Directors has recommended the distribution of cash dividend of 5 fils per share (2019: 10 fils per share) on outstanding shares (excluding treasury shares) in respect of the year ended 31 December 2020. Subject to being approved by the shareholders' Annual General Assembly, the dividend shall be payable to the shareholders after obtaining necessary regulatory approvals registered in the Parent Company's records as of the record date. Dividends for 2019 were approved at the Annual General Assembly of the shareholders held on 17 June 2020.

17 SHARE CAPITAL, SHARE PREMIUM, TREASURY SHARES, RESERVES, APPROPRIATIONS AND PERPETUAL CAPITAL SECURITIES (continued)

g) Perpetual capital securities issued by a subsidiary of the Group

On 2 July 2019, one of the subsidiaries of the Group - Burgan Bank S.A.K. ("Burgan Bank" or "Bank") issued Perpetual Tier 1 Capital Securities (the "Tier 1 securities"), amounting to USD 500,000 thousand.

The Tier 1 securities constitute direct, unconditional, subordinated and unsecured obligations of the Bank and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 securities do not have a maturity date. They are redeemable by the Bank at its discretion after 9 July 2024 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 securities bear interest on their nominal amount from the issue date to the First Call Date at a fixed annual rate of 5.7492%. Thereafter the interest rate will be reset at five-year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 securities, on a scheduled interest payment date (for whatever reason), then the Bank must not make any other distribution or payment on or with respect to its other shares that rank equally with or junior to the Tier 1 securities (other than pro-rata distributions or payments on shares that rank equally with Tier 1 securities) unless and until it has paid two consecutive interest payments in full on the Tier 1 securities.

On 28 March 2016, one of the subsidiaries of the Group, United Gulf Bank B.S.C. ("UGB") issued perpetual capital securities amounting to USD 33,000 thousand (equivalent to KD 9,961 thousand). Certain other subsidiaries of the Group subscribed to these securities amounting to USD 25,000 thousand (equivalent to KD 7,546 thousand) which were eliminated on consolidation.

h) Capital Increase

On 12 June 2019, the Board of Directors of the Parent Company passed a resolution to increase the Parent Company's capital through the issuance of 452,748,662 shares at an offer price of 210 fils per share which includes a nominal value of 100 fils per share and a share premium of 110 fils per share, after obtaining necessary approvals from regulatory bodies. The rights issue has been fully subscribed resulting in increase in share capital of KD 45,275 thousand and share premium of KD 49,802 thousand.

18 EMPLOYEE STOCK OPTION PLAN RESERVE

The Parent Company granted equity-settled stock options to eligible employees. These shares vest over a period of three years from the grant date. The vesting of the stock options is dependent on eligible employees remaining in service till the end of the vesting period. The fair value of stock options granted is amortized over the vesting period.

The following table illustrates the number, weighted average exercise prices and the movement in the stock options during the year:

	2020		*2019*	
	Number of shares	***Weighted average exercise price KD***	*Number of shares*	*Weighted average exercise price KD*
Outstanding at 1 January	**34,922,656**	**0.259**	27,246,903	0.311
Granted during the year	**10,911,990**	**0.216**	10,982,208	0.208
Expired / forfeited during the year	**(3,989,214)**	**0.449**	(3,306,455)	0.520
Outstanding at 31 December	**41,845,432**	**0.230**	34,922,656	0.259
Stock options exercisable as at 31 December	**20,027,636**		16,093,379	

The Parent Company recognized an expense of KD 914 thousand (2019: KD 920 thousand) relating to equity-settled share-based payment transactions during the year.

The weighted average remaining contractual life of the stock options outstanding as at 31 December 2020 is 1.75 years (2019: 1.81 years). The weighted average fair value of stock options granted during the year was KD 446 thousand (2019: KD 519 thousand). The range of exercise prices for options outstanding at the end of the year was KD 0.335 to KD 0.216 (2019: KD 0.475 to KD 0.208).

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18 EMPLOYEE STOCK OPTION PLAN RESERVE (continued)

The following table lists the inputs to the Black-Scholes option pricing model for the stock options granted during 2020 and 2019:

	2020	*2019*
Dividend yield (%)	**6.0**	5.8
Expected volatility (%)	**27.7**	39.9
Risk free interest rate (%)	**1.5**	3.0
Expected life of option (years)	**3**	3
Stock price on the date of grant (fils)	**216**	208
Weighted average exercise price of stock options granted (fils)	**216**	208

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the stock options is indicative of future trends, which may not necessarily be the actual outcome.

19 INVESTMENT INCOME

	2020 KD 000's	*2019 KD 000's*
Financial assets at fair value through profit or loss		
Gain on sale	**1,871**	2,790
Unrealised gain	**5,282**	8,832
	7,153	11,622
Other investment income		
Change in fair value of investment properties (note 10)	**(5,088)**	9,958
Impairment of properties held for trading	**(3,807)**	(2,095)
Gain on sale of debt instruments at fair value through other comprehensive income	**8,468**	5,758
Dividend income	**3,117**	9,020
Gain on remeasurement of previously held equity interest (note 3)	**75,893**	-
Gain on sale of investment in associates	**435**	-
(Loss) gain on sale of investment properties	**(22)**	11
	78,996	22,652
	86,149	34,274

20 FEES AND COMMISSION INCOME

	2020 KD 000's	*2019 KD 000's*
Fees from fiduciary activities	**10,528**	10,089
Credit related fees and commission	**21,094**	28,521
Advisory fees	**1,448**	2,777
Other fees	**23,338**	23,782
	56,408	65,169

21 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include staff cost for the year ended 31 December 2020 amounting to KD 98,319 thousand (2019: KD 102,476 thousand).

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22 TAXATION

	2020 KD 000's	*2019 KD 000's*
Taxation arising from overseas subsidiaries	**3,081**	16,480
	3,081	16,480

Components of taxation arising from overseas subsidiaries are as follows:

	2020 KD 000's	*2019 KD 000's*
Current tax	**5,308**	16,643
Deferred tax	**(2,227)**	(163)
	3,081	16,480

The tax rate applicable to the taxable subsidiary companies is in the range of 10% to 35% (2019: 10% to 35%) whereas the effective income tax rate for the year ended 31 December 2020 is in the range of 11% to 29% (2019: 10% to 27%). For the purpose of determining the taxable results for the year, the accounting profit of the overseas subsidiary companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies' jurisdiction.

Deferred tax assets / liabilities are included as part of other assets / liabilities in the consolidated financial statements.

23 EARNINGS (LOSS) PER SHARE

Basic:
Basic earnings (loss) per share is computed by dividing the profit (loss) for the year attributable to equity holders of the Parent Company after interest and other payments on perpetual capital securities by the weighted average number of shares outstanding during the year, as follows:

	2020 KD 000's	*(Restated)* 2019 KD 000's*
Basic earnings(loss) per share:		
Profit (loss) for the year attributable to the equity holders of the Parent Company	**6,548**	(39,350)
Less: interest and other payments on perpetual capital securities attributable to the equity holders of the Parent Company	**(5,777)**	(13,802)
Profit (loss) for the year attributable to the equity holders of the Parent Company after interest and other payments on perpetual capital securities	**771**	(53,152)

	Shares	*Shares*
Number of shares outstanding:		
Weighted average number of paid up shares	**2,000,000,000**	1,768,069,985
Weighted average number of treasury shares	**(187,531,219)**	(165,762,725)
Weighted average number of outstanding shares	**1,812,468,781**	1,602,307,260
	Fils	*Fils*
Basic earnings (loss) per share	**0.4**	(33.2)

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23 EARNINGS (LOSS) PER SHARE (continued)

Diluted:
Diluted earnings (loss) per share is calculated by dividing the profit(loss) for the year attributable to the equity holders of the Parent Company after interest and other payments on perpetual capital securities adjusted for the effect of decrease in profit due to exercise of potential ordinary shares of subsidiaries by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all employees stock options. The Parent Company has outstanding share options, issued under the Employee Stock Options Plan (ESOP), which may have a dilutive effect on earnings.

	2020 KD 000's	*(Restated)* 2019 KD 000's*
Diluted earnings (loss) per share:		
Profit (loss) for the year attributable to the equity holders of the Parent Company	**6,548**	(39,350)
Less: interest and other payments on perpetual capital securities attributable to the equity holders of the Parent Company	**(5,777)**	(13,802)
Profit (loss) for the year attributable to the equity holders of the Parent Company after interest and other payments on perpetual capital securities	**771**	(53,152)
	Shares	*Shares*
Number of shares outstanding:		
Weighted average number of outstanding shares	**1,812,468,781**	1,602,307,260
	Fils	*Fils*
Diluted earnings (loss) per share	**0.4**	(33.2)

The effect of share options on issue has not been considered in the computation of diluted earnings (loss) per share as the result is anti-dilutive.

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24 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. major shareholder, associates, joint venture, Directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Related party balances and transactions consist of the following:

2020	*Major shareholder KD 000's*	*Associates KD 000's*	*Others KD 000's*	***Total KD 000's***
Consolidated statement of financial position:				
Loans and advances	135,100	39,781	234,280	**409,161**
Other assets	20	2,167	117	**2,304**
Due to banks and other financial institutions	-	11,373	22,598	**33,971**
Deposit from customers	4,179	15,604	21,358	**41,141**
Medium term notes	-	3,033	-	**3,033**
Other liabilities	211,806	2	590	**212,398**
Perpetual capital securities	-	1,509	906	**2,415**
Transactions:				
Interest income	4,545	2,929	8,016	**15,490**
Fees and commission income	183	942	431	**1,556**
Interest expense	7,062	665	176	**7,903**
Commitments and guarantees:				
Letter of credit	-	18,580	2,712	**21,292**
Guarantees	25	53,288	5,232	**58,545**

2019	*Major shareholder KD 000's*	*Associates & Joint venture KD 000's*	*Others KD 000's*	*Total KD 000's*
Consolidated statement of financial position:				
Loans and advances	112,100	71,474	219,415	402,989
Other assets	2,199	2,171	800	5,170
Due to banks and other financial institutions	-	13,393	24,250	37,643
Deposit from customers	2,659	15,625	20,476	38,760
Medium term notes	-	3,031	-	3,031
Other liabilities	138,783	41,094	8,649	188,526
Perpetual capital securities	-	1,509	906	2,415
Transactions:				
Interest income	4,213	2,034	8,129	14,376
Fees and commission income	88	1,986	1,737	3,811
Dividend income	-	-	1,599	1,599
Interest expense	3,577	753	421	4,751
Commitments and guarantees:				
Letter of credit	-	3,150	2,860	6,010
Guarantees	25	98,879	2,892	101,796

Compensation of key management personnel in the Group
Remuneration paid or accrued in relation to key management (deemed for this purpose to comprise Directors in relation to their committee service, the Chief Executive Officer and other Senior Officers) was as follows:

	2020 KD 000's	*2019 KD 000's*
Short-term employee benefits	**16,558**	17,711
Termination benefits	**2,416**	2,470
Share based payment	**1,127**	1,529
Total	**20,101**	21,710

The Board of Directors of the Parent Company has proposed Directors' fees of KD 220 thousand. These are subject to the approval of the shareholders' general assembly.

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25 HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS

The Group designated its investments in foreign operations (i.e. investment in Panther Media Group Limited, UGH, Taka'ud Savings & Pensions Company B.S.C. and Pulsar Knowledge Centre) and EMTN as a hedge of a net investment in foreign operations. EMTN is being used to hedge the Group's exposure to the US$ foreign exchange risk on these investments. During the year, gains or losses amounting to KD 357 thousand on the retranslation of this borrowing are transferred to consolidated statement of other comprehensive income to offset any gains or losses on translation of the net investments in the foreign operations. No ineffectiveness from hedges of net investments in foreign operations was recognized in the consolidated income statement during the year.

Burgan Bank has entered into forward foreign exchange contracts between Turkish lira (TRY) and United States Dollar (USD), rolled over on a monthly basis, which has been designated as a hedge of the Bank's net investment in its Turkish subsidiary. This transaction has created a net long position in USD. Gain or losses on the retranslation of the aforesaid contracts are transferred to equity to offset any gains or losses on translation of the net investments in the Turkish subsidiary. No ineffectiveness from hedges of net investments in foreign operations was recognised in the consolidated income statement during the year.

26 COMMITMENTS AND CONTINGENCIES

Credit related commitments and contingencies
Credit related commitments and contingencies include commitments to extend credit, standby letters of credit, guarantees and acceptances which are designed to meet the requirements of subsidiaries customers.

Letters of credit, guarantees (including standby letters of credit) commit the subsidiaries to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry the same credit risk as loans.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments and contingencies generally have fixed expiration dates, or other termination clauses. Since commitments and contingencies may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Investment related commitments
Investment related commitments represent commitments for capital calls of fund structures. These commitments can be called during the investment period of the fund which normally is 1 to 5 years.

The Group has the following Gross exposure on commitments and contingencies:

	2020 ***KD 000's***	*2019* *KD 000's*
Credit related commitments and contingencies		
Letters of credit	**280,290**	290,284
Guarantees & acceptances	**981,708**	1,022,884
	1,261,998	1,313,168
Undrawn lines of credit	**755,412**	764,668
Investment related commitments	**46,330**	98,383
	2,063,740	2,176,219

Impairment losses on guarantees and other commitments
An analysis of changes in the gross exposure and the corresponding expected credit loss in relation to guarantees and other commitments is, as follows:

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26 COMMITMENTS AND CONTINGENCIES (continued)

Impairment losses on guarantees and other commitments (continued)
The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification.

	Stage 1 KD 000's	***Stage 2 KD 000's***	***Stage 3 KD 000's***	***2020 Total KD 000's***
Internal rating grade				
Performing				
High grade	**843,324**	**27,714**	**-**	**871,038**
Standard grade	**1,055,278**	**83,798**	**-**	**1,139,076**
Past due but not impaired	**-**	**248**	**-**	**248**
Non – performing				
Individually impaired	**-**	**-**	**7,048**	**7,048**
Total	**1,898,602**	**111,760**	**7,048**	**2,017,410**

	Stage 1 KD 000's	*Stage 2 KD 000's*	*Stage 3 KD 000's*	*2019 Total KD 000's*
Internal rating grade				
Performing				
High grade	982,214	34,179	-	1,016,393
Standard grade	952,507	100,405	-	1,052,912
Past due but not impaired	-	524	-	524
Non – performing				
Individually impaired	-	-	8,007	8,007
Total	1,934,721	135,108	8,007	2,077,836

An analysis of changes in ECLs is, as follows:

	Stage 1 KD 000's	***Stage 2 KD 000's***	***Stage 3 KD 000's***	***Total KD 000's***
ECL at 1 January 2020	**4,238**	**10,615**	**6,431**	**21,284**
Charge /(recovery) during the year	**2,197**	**(6,253)**	**(547)**	**(4,603)**
Transfer to liabilities directly associated with the disposal group held for sale (note 16)	**-**	**(1,143)**	**-**	**(1,143)**
Foreign exchange	**199**	**152**	**267**	**618**
At 31 December 2020	**6,634**	**3,371**	**6,151**	**16,156**

	Stage 1 KD 000's	*Stage 2 KD 000's*	*Stage 3 KD 000's*	*Total KD 000's*
ECL at 1 January 2019	5,595	15,345	6,591	27,531
(Recovery) / charge during the year	(1,409)	(4,927)	122	(6,214)
Foreign exchange	52	197	(282)	(33)
At 31 December 2019	4,238	10,615	6,431	21,284

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26 COMMITMENTS AND CONTINGENCIES (continued)

Operating lease – Group as a lessor
The Group has entered into commercial leases for certain investment properties in the normal course of business. Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2020 ***KD 000's***	*2019* *KD 000's*
Within one year	**29,509**	37,526
After one year but not more than three years	**37,617**	55,166
	67,126	92,692

Operating lease commitments – Group as a lessee
The Group has entered into commercial leases for certain investment properties and property plant and equipment in the normal course of business. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2020 ***KD 000's***	*2019* *KD 000's*
Within one year	**2,069**	3,899
After one year but not more than three years	**1,425**	4,593
	3,494	8,492

27 DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. Derivatives are financial instruments that derive their value by referring interest rate, foreign exchange rate or other indices. Notional principal amounts merely represent amounts to which a rate or price is applied to determine the amounts of cash flows to be exchanged and do not represent the potential gain or loss associated with the market or credit risk of such instruments.

The Group deals in interest rate swaps to manage its interest rate risk on interest bearing asset and liabilities or to provide interest rate risk management solutions to customers. Similarly, the Group deals in forward foreign exchange contracts for customers and to manage its foreign currency positions and cash flows.

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts analyzed by the terms of maturity. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are indicative of neither the market risk nor the credit risk.

				Notional amounts by term to maturity	
2020	***Positive fair value KD 000's***	***Negative fair value KD 000's***	***Notional amount KD 000's***	***Within 1 year KD 000's***	***1 – 5 years KD 000's***
Derivatives held for trading: (including non-qualifying hedges)					
Forward foreign exchange contracts	**17,150**	**(8,061)**	**1,241,899**	**1,235,457**	**6,442**
Interest rate swaps	**3,211**	**(4,392)**	**147,122**	**30,688**	**116,434**
Options	**152**	**(38)**	**33,996**	**33,996**	**-**
Derivatives held for hedging:					
Fair value hedges:					
Forward foreign exchange contracts	**1,011**	**(4,942)**	**241,018**	**241,018**	**-**
Cash flow hedges:					
Interest rate swaps	**30,143**	**(6,664)**	**287,625**	**127,539**	**160,086**

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27 DERIVATIVES (continued)

2019	*Positive fair value KD 000's*	*Negative fair value KD 000's*	*Notional amount KD 000's*	*Notional amounts by term to maturity: Within 1 year KD 000's*	*Notional amounts by term to maturity: 1 – 5 Years KD 000's*
Derivatives held for trading: (including non-qualifying hedges)					
Forward foreign exchange contracts	8,892	(1,769)	1,103,253	1,097,119	6,134
Interest rate swaps	3,285	(3,892)	178,844	28,504	150,340
Options	95	(95)	78,847	78,847	-
Derivatives held for hedging:					
Fair value hedges:					
Forward foreign exchange contracts	2	(5,082)	285,852	282,878	2,974
Cash flow hedges:					
Interest rate swaps	25,107	(6,116)	276,245	52,175	224,070

The Group has positions in the following types of derivatives:

Forward foreign exchange contracts
Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

Swaps
Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specified amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases and sells options through regulated exchanges and in the over–the–counter markets. Options purchased by the Group provide the Group with an opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed–upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed–upon value either on or before the expiration of the option.

Derivatives held for trading
Derivatives held for trading include the Group's derivative positions held with the expectation of profiting from favorable movements in prices, rates or indices. Derivatives which do not meet hedging requirements are also included under derivatives held for trading.

Fair value hedges
Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates. The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks.

Cash flow hedges
The Group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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27 DERIVATIVES (continued)

The table below shows the contractual expiry by maturity of the Group's derivatives positions:

	Up to 3 months KD 000's	***3 to 12 months KD 000's***	***Over 1 year KD 000's***	***Total KD 000's***
2020				
Foreign exchange derivatives	**166,784**	**1,309,691**	**6,442**	**1,482,917**
Interest rate swaps	**34,874**	**123,353**	**276,520**	**434,747**
Options	**-**	**33,996**	**-**	**33,996**
	201,658	**1,467,040**	**282,962**	**1,951,660**

	Up to 3 months KD 000's	*3 to 12 months KD 000's*	*Over 1 year KD 000's*	*Total KD 000's*
2019				
Foreign exchange derivatives	205,522	1,174,475	9,108	1,389,105
Interest rate swaps	-	80,679	374,410	455,089
Options	-	78,847	-	78,847
	205,522	1,334,001	383,518	1,923,041

28 SEGMENT INFORMATION

For management purposes, the Group is organised into six main business segments based on internal reporting provided to the chief operating decision maker as follows:

Commercial banking - represents Group's commercial banking activities which includes retail banking, corporate banking, and private banking and treasury products. These entities are regulated by the Central Bank of the respective countries.

Asset management and investment banking - represents Group's asset management and investment banking activities which includes asset management, corporate finance (advisory and capital markets services), investment advisory and research, and wealth management.

Insurance - represents Group's insurance activities and other related services.

Media & Satellite services – represents Group's activities in providing digital satellite services, Media Pay TV services via satellite, cable and streaming.

Industrial - represents Group's activities in industrial project development, Petrochemical Industries, food, utilities, services, medical equipment and other related sectors.

Hospitality and real estate - represents Group's activities in the hospitality and real estate sector.

Transfer pricing between operating segments are at a price approved by the management of the Group.

28 SEGMENT INFORMATION (continued)

Management monitors the results of its segments separately for making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

	Commercial banking KD 000's	*Asset management and investment banking KD 000's*	*Insurance* KD 000's*	*Media & Satellite Services ** KD 000's*	*Industrial KD 000's*	*Hospitality and real estate KD 000's*	*Others KD 000's*	*Inter-segmental eliminations KD 000's*	***Total KD 000's***
As at 31 December 2020									
Assets and liabilities:									
Segment assets	8,627,251	821,656	84,810	454,386	276,061	975,313	276,420	(1,165,523)	**10,350,374**
Segment liabilities	7,683,953	1,577,206	-	297,454	142,754	666,687	193,051	(1,103,250)	**9,457,855**
For the year ended 31 December 2020									
Segment revenues	417,816	37,454	8,314	156,474	17,519	94,409	38,251	(17,607)	**752,630**
Profit (loss) for the year	73,637	(54,238)	8,314	(5,764)	490	(18,665)	5,343	(419)	**8,698**
Other segmental information:									
Investment in associates	7,427	16,619	84,810	-	224,178	16,031	-	-	**349,065**
Goodwill (note 11)	115,252	15,767	-	317,146	-	-	23,062	-	**471,227**
Other intangibles (note 11)	126,866	4,938	-	-	-	1,803	1,631	-	**135,238**
Interest income	321,058	7,153	-	29	18	117	23	-	**328,398**
Interest expense	154,358	55,199	-	6,421	376	12,795	1,339	-	**230,488**
Provision for (reversal) of credit losses	65,529	(2,430)	-	1,315	-	970	292	-	**65,676**
Share of results of associates	2,576	(707)	8,314	-	7,981	(392)	-	-	**17,772**
Provision for impairment of non-financial assets	14,012	-	-	32,271	-	-	-	-	**46,283**
Depreciation and amortization	15,907	2,414	-	2,553	330	544	1,537	-	**23,285**

Inter segmental elimination represent the elimination of balances and transactions arising in the normal course of business between the different segments of the Group.

* Represents interest in GIG, an associate of the Group (note 9)

** Media & Satellite Services segment revenues and results as at 31 December 2020 includes gain on remeasurement of previously held equity interest of KD 75,893 thousand (Note 3).

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28 SEGMENT INFORMATION (continued)

	Commercial banking KD 000's	*Asset management and investment banking KD 000's*	*Insurance* KD 000's*	*Media & Satellite Services KD 000's*	*Industrial KD 000's*	*Hospitality and real estate KD 000's*	*Others KD 000's*	*Inter-segmental eliminations KD 000's*	*(Restated) Total KD 000's*
As at 31 December 2019									
Assets and liabilities:									
Segment assets	8,566,812	1,025,196	82,068	203,497	298,266	974,513	283,843	(1,033,906)	10,400,289
Segment liabilities	7,584,348	1,653,343	-	64,370	144,234	657,982	190,848	(904,131)	9,390,994
For the year ended 31 December 2019									
Segment revenues	538,572	55,544	6,840	(55,376)	38,473	131,014	39,082	(55,981)	698,168
Profit (loss) for the year	139,022	(62,736)	6,840	(69,610)	6,066	(200)	2,716	(9,988)	12,110
Other segmental information:									
Investment in associates	5,757	18,934	82,068	-	233,926	12,664	-	-	353,349
Goodwill (note 11)	128,588	15,207	-	11,101	-	-	23,062	-	177,958
Other intangibles (note 11)	130,543	4,109	-	-	-	1,912	3,410	-	139,974
Interest income	403,038	4,970	-	-	4	496	25	-	408,533
Interest expense	211,672	54,965	-	2,180	925	18,116	1,502	-	289,360
Provision for (reversal of) credit losses	24,357	(1,177)	-	611	-	1,448	-	-	25,239
Share of results of associates	91	1,684	6,840	-	14,602	(164)	-	-	23,053
Provision for impairment of non-financial assets	6,644	-	-	-	-	-	-	-	6,644
Depreciation and amortization	19,320	2,534	-	-	289	559	1,009	-	23,711

Inter segmental elimination represent the elimination of balances and transactions arising in the normal course of business between the different segments of the Group.

* Represents interest in GIG, an associate of the Group (note 9)

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28 SEGMENT INFORMATION (continued)

Geographic information

2020	***Income KD 000's***	***Non-current assets KD 000's***
Kuwait	**334,363**	**2,852,430**
Rest of GCC	**129,776**	**426,098**
Rest of Middle East, Asia and North Africa	**184,705**	**1,557,796**
Europe	**98,788**	**383,461**
North America	**4,998**	**52,233**
	752,630	**5,272,018**

2019	*Income KD 000's*	*Non-current assets KD 000's*
Kuwait	396,269	2,775,891
Rest of GCC	(46,826)	237,028
Rest of Middle East, Asia and North Africa	204,022	1,251,865
Europe	137,597	476,453
North America	7,106	14,099
	698,168	4,755,336

For breakup of non-current assets, refer to note 29.3.

The geographic segmentation of the income information above is based on the region where the services are provided.

29 RISK MANAGEMENT OBJECTIVES AND POLICIES

29.1 INTRODUCTION

Risk is inherent in the Group's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

Each subsidiary of the Group is responsible for managing its own risks and has its own Board Committees, including Audit and Executive Committees in addition to other management Committees such as Credit / Investment Committee and (in the case of major subsidiaries) Asset Liability Committee (ALCO), or equivalent, with responsibilities generally analogous to the Group's committees.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process. The Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

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29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.1 INTRODUCTION (continued)

The operations of certain Group subsidiaries are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy, general provision on loans and advances) to minimise the risk of default and insolvency on the part of the banking companies to meet unforeseen liabilities as these arise. Adequate adjustments to provisions for credit losses have been made at the Group level to comply with IFRS having a net positive effect of KD 86,336 thousand (2019: KD 61,294 thousand) on equity attributable to equity holders of the Parent Company.

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign currency transactions.

The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group.

The Group classifies the risks faced as part of its monitoring and controlling activities into certain categories of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified categories of risks. The categories of risks are:

A. Risks arising from financial instruments:
   i. Credit risk which includes default risk of clients and counterparties
   ii. Liquidity risk
   iii. Market risk which includes interest rate, foreign exchange and equity price risks
   iv. Prepayment risk

B. Other risk
   i. Operational risk which includes risks due to operational failures

Derivative transactions result, to varying degrees, in credit as well as market risks.

Market risk arises as interest rates, foreign exchange rates and equity prices fluctuate affecting the value of a contract. For risk management purposes and to control these activities, the Group has established appropriate procedures and limits approved by the Board of Directors.

29.2 CREDIT RISK

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industrial segments. Such risks are monitored on a regular basis and are subject to regular review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

Derivative financial instruments
Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative.

Credit related commitments risk
The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.2 CREDIT RISK (continued)

29.2.1 Assessment of expected credit losses

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

- the customer 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 customer is past due more than 90 days on any material credit obligation to the Group; or
- customer 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 during the year would also be considered as in default. The Group considers externally-rated exposures with ratings 'D' for S&P and Fitch, and 'C' for Moody's as defaulted.

The Group considers a variety of indicators that may indicate unlikeliness to pay as part of a qualitative assessment of whether a customer is in default. Such indicators include:

- breaches of covenants
- customer having past due liabilities to public creditors or employees
- customer is deceased
- The borrower requesting emergency funding from the Group

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least twelve consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Significant increase in credit risk
The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12 months ECL or life time ECL, the Group assesses whether there has been a significant increase in credit risk since 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 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 Group also considers that events as mentioned below are indicators of significant increase in credit risk as opposed to a default.

- Significant deterioration of credit risk rating of the borrower with consideration to relative increase in Possibility of Default ("PD").
- Restructured accounts where there is principal haircut, or a standstill agreement is signed or where the restructured account carries specific provision.
- In the case of retail portfolio, qualitative indicators such as fraudulent customers, and death of customer

The Group considers a financial instrument with an external rating of "investment grade" as at the reporting date to have low credit risk.

Internal rating and PD estimation process
In managing its portfolio, the Group utilises ratings and other measures and techniques which seek to take account of all aspects of perceived risk. The Group uses industry standard rating tools for assessing ratings/scores that are leveraged for PD estimation process. The tool provides the ability to analyse a business and produce risk ratings at both the obligor and facility level. The analysis supports the usage of financial factors as well as non-financial subjective factors. The Group also uses external ratings by recognised rating agencies for externally rated portfolios.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.2 CREDIT RISK (continued)

29.2.1 Assessment of expected credit losses (continued)

Internal rating and PD estimation process (continued)
The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The Group assesses the PD for its retail portfolio through behavioral scorecards implemented in the Group. The scorecards are based on logistic regression technique. This enables the evaluation of score and PD associated against each facility. Term structure of PD is based on hazard rate concept. The survival distribution used is exponential distribution. The probability distribution function of an exponentially distributed random variable is used with the hazard rate as the PD evaluated from the behavioral scorecard.

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.

Measurement of ECLs
ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. Cash shortfall represents the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The key elements in the measurement of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Group estimates these elements using appropriate credit risk models taking into consideration the internal and external credit ratings of the assets, nature and value of collaterals, forward looking macro-economic scenarios etc.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument, including credit cards and other revolving facilities, unless the Group has the legal right to call it earlier, except for the maturity of all credit facilities (other than consumer/ installment facilities) in Stage 2 which is considered based on minimum period of 4 years.

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 coupon rates, frequency, reference curves, maturity, pre-payment options, amortization schedule, credit conversion factors, etc. EAD for retail loans incorporate prepayment assumptions whereas for credit cards portfolio, credit conversion factors are applied to estimate the future draw downs.

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.

Under IFRS 9, LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

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29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.2 CREDIT RISK (continued)

29.2.2 Maximum exposure to credit risk:

The table below shows the maximum exposure to credit risk across financial assets before taking into consideration the effect of any collateral and other credit enhancements i.e. credit risk mitigation.

	2020 KD 000's	*2019 KD 000's*
Cash at banks	**1,199,870**	1,527,125
Treasury bills, bonds and other debt securities	**500,770**	546,271
Loans and advances	**4,945,497**	5,184,673
Financial assets at fair value through profit or loss	**143,255**	144,810
Financial assets at fair value through other comprehensive income	**312,923**	217,264
Other assets including positive value of derivatives (excluding prepayments, assets pending for sale and others)	**261,821**	267,308
Total	**7,364,136**	7,887,451
Credit related commitments	**2,001,254**	2,056,552
Total	**9,365,390**	9,944,003

The exposures set above are based on net carrying amounts as reported in the consolidated statement of financial position.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

29.2.3 Collateral and other credit enhancements

The amount, type and valuation of collateral is based on guidelines specified in the risk management framework. The main types of collateral accepted includes real estate, quoted shares, cash collateral and bank guarantees. The revaluation and custody of collaterals are performed independent of the business units.

Management monitors the market value of collaterals, requests additional collaterals in accordance with the underlying agreement, and monitors the market value of collaterals obtained on a regular basis. Fair value of assets held as collateral and other credit enhancements is KD 4,125,990 thousand (2019: KD 4,158,380 thousand).

29.2.4 Credit risk concentration

Concentrations of credit risk arise from exposure to customers having similar characteristics in terms of the geographic location in which they operate or the industry sector in which they are engaged, such that their ability to discharge contractual obligations may be similarly affected by changes in political, economic or other conditions.

Credit risk can also arise due to a significant concentration of Group's assets to any single counterparty. This risk is managed by diversification of the portfolio. The 10 largest loans outstanding as a percentage of gross loans as at 31 December 2020 are 23% (31 December 2019: 23%).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.2 CREDIT RISK (continued)

29.2.4 Credit risk concentration (continued)

The Group's financial assets and commitments, before taking into account any collateral held or credit enhancements can be analysed by the following geographic regions:

Region	***Assets 2020 KD 000's***	***Credit related commitments 2020 KD 000's***	*Assets 2019 KD 000's*	*Credit related commitments 2019 KD 000's*
MENA	**6,526,358**	**1,912,788**	7,097,696	1,941,314
North America	**94,477**	**54**	63,322	69
Europe	**590,227**	**58,348**	523,402	71,886
Asia	**103,605**	**-**	139,024	4,873
Others	**49,469**	**30,064**	64,007	38,410
Total	**7,364,136**	**2,001,254**	7,887,451	2,056,552

The Group's financial assets and credit related commitments, before taking into account any collateral held or credit enhancements can be analysed by the following industry sector:

	2020 KD 000's	*2019 KD 000's*
Sovereign	**1,042,219**	1,116,753
Banking	**1,495,296**	1,757,615
Investment	**335,867**	342,351
Trade and commerce	**954,101**	983,511
Real estate	**1,347,455**	1,266,918
Personal	**1,488,807**	1,403,424
Manufacturing	**913,419**	929,146
Construction	**683,631**	783,768
Others	**1,104,595**	1,360,517
	9,365,390	9,944,003

29.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a daily basis.

The table below shows an analysis of financial liabilities based on the remaining undiscounted contractual maturities. Repayments which are subject to notice are treated as if notice were to be given immediately.

	1 to 3 months KD 000's	***3 to 12 months KD 000's***	***Over 1 year KD 000's***	***Total KD 000's***
2020				
Financial liabilities				
Due to banks and other financial institutions	862,842	393,733	48,563	**1,305,138**
Deposits from customers	4,163,916	978,423	156,592	**5,298,931**
Loans payable	22,312	61,648	756,418	**840,378**
Bonds	3,192	124,371	700,332	**827,895**
Medium term notes	7,571	170,578	531,893	**710,042**
Other liabilities *	158,711	465,337	230,536	**854,584**
	5,218,544	**2,194,090**	**2,424,334**	**9,836,968**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.3 LIQUIDITY RISK (continued)

	1 to 3 months KD 000's	*3 to 12 months KD 000's*	*Over 1 year KD 000's*	*Total KD 000's*
2019				
Financial liabilities				
Due to banks and other financial institutions	903,100	489,488	147,291	1,539,879
Deposits from customers	3,846,842	1,359,437	203,220	5,409,499
Loans payable	59,057	660,156	372,586	1,091,799
Bonds	1,553	4,186	522,496	528,235
Medium term notes	1,920	162,448	721,499	885,867
Other liabilities *	261,979	110,492	391,543	764,014
	5,074,451	2,786,207	2,358,635	10,219,293

* Other liabilities include negative fair value of derivative financial liabilities and excludes liabilities directly associated with the disposal group held for sale.

The table below shows the contractual expiry by maturity of the Group's gross exposure of contingent liabilities and commitments.

	1 to 3 months KD 000's	***3 to 12 months KD 000's***	***Over 1 year KD 000's***	***Total KD 000's***
2020				
Credit related commitments	798,990	733,646	484,774	**2,017,410**
Investment related commitments	3,716	5,181	37,433	**46,330**
	802,706	**738,827**	**522,207**	**2,063,740**
2019				
Credit related commitments	798,790	822,827	456,219	2,077,836
Investment related commitments	11,401	18,166	68,816	98,383
	810,191	840,993	525,035	2,176,219

The table below summarizes the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income is determined based on management's estimate of liquidation of those financial assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.3 LIQUIDITY RISK (continued)

2020	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*Over 1 year KD 000's*	***Total KD 000's***
ASSETS				
Cash in hand and at banks	1,310,919	32,279	3,667	**1,346,865**
Treasury bills, bonds and other debt securities	167,816	103,676	229,278	**500,770**
Loans and advances	2,051,153	561,757	2,332,587	**4,945,497**
Financial assets at fair value through profit or loss	6,505	156,267	89,436	**252,208**
Financial assets at fair value through other comprehensive income	47,849	15,629	328,449	**391,927**
Other assets	340,840	165,313	312,371	**818,524**
Properties held for trading	-	118,353	-	**118,353**
Investment in associates	-	-	349,065	**349,065**
Investment properties	-	-	624,258	**624,258**
Property, plant and equipment	-	-	396,442	**396,442**
Intangible assets	-	-	606,465	**606,465**
Total assets	**3,925,082**	**1,153,274**	**5,272,018**	**10,350,374**
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	865,766	276,860	129,315	**1,271,941**
Deposits from customers	3,756,909	787,688	615,561	**5,160,158**
Loans payable, Bonds, and Medium-term notes	5,925	391,438	1,579,984	**1,977,347**
Other liabilities	351,880	465,992	230,537	**1,048,409**
Equity	-	-	892,519	**892,519**
Total liabilities and equity	**4,980,480**	**1,921,978**	**3,447,916**	**10,350,374**

2019	*1 to 3 months KD 000's*	*3 to 12 months KD 000's*	*Over 1 year KD 000's*	*(Restated) Total KD 000's*
ASSETS				
Cash in hand and at banks	1,571,536	6,566	3,867	1,581,969
Treasury bills, bonds and other debt securities	181,018	165,448	199,805	546,271
Loans and advances	1,828,401	1,267,334	2,088,938	5,184,673
Financial assets at fair value through profit or loss	8,691	194,587	85,344	288,622
Financial assets at fair value through other comprehensive income	37,883	8,447	275,956	322,286
Other assets	123,944	149,006	310,238	583,188
Properties held for trading	-	102,092	-	102,092
Investment in associates	-	-	353,349	353,349
Investment in a media joint venture	-	-	125,049	125,049
Investment properties	-	-	630,394	630,394
Property, plant and equipment	-	-	364,464	364,464
Intangible assets	-	-	317,932	317,932
Total assets	3,751,473	1,893,480	4,755,336	10,400,289
LIABILITIES AND EQUITY				
Due to banks and other financial institutions	948,896	352,361	124,104	1,425,361
Deposits from customers	3,780,973	1,303,250	184,519	5,268,742
Loans payable, Bonds, and Medium-term notes	34,276	493,236	1,405,365	1,932,877
Other liabilities	261,979	110,492	391,543	764,014
Equity	-	-	1,009,295	1,009,295
Total liabilities and equity	5,026,124	2,259,339	3,114,826	10,400,289

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2020

29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.4 MARKET RISK

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all financial assets traded in the market.

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

During the year, the coronavirus (COVID-19) outbreak has resulted in business disruption and a high volatility in the financial markets worldwide. While the disruption is currently expected to be temporary, economic uncertainties have arisen. The existing and anticipated effects of the outbreak of COVID-19 on the economy is expected to continue to evolve.

29.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value or cash flows of the financial instruments. Each subsidiary of the Group manages the internal rate risk at their entity level. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. This arises as a result of mismatches or gaps in the amounts of assets and liabilities and commitments that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The Group is exposed to interest rate risk on its interest-bearing assets and liabilities (treasury bills and bonds, loans and advances, due to banks and other financial institutions, deposits from customers, loans payable, bonds and medium term notes).

The following table demonstrates the sensitivity of the profit before taxation to reasonably possible changes in interest rates after the effect of hedge accounting, with all other variables held constant.

Based on the Group's financial assets and liabilities held at the year end, an assumed 25 basis points increase in interest rate, with all other variables held constant, would impact the Group's profit before taxation as follows:

Currency	***Increase of 25 basis points*** *Increase (decrease) in profit before taxation*	
	2020 KD 000's	*2019 KD 000's*
KD	**(11,073)**	(3,115)
US$	**189**	(567)
EURO	**(124)**	(422)
GBP	**10**	8

The decrease in the basis points will have an opposite impact on the Group's profit before taxation.

29.4.2 Foreign currency risk

Currency risk is the risk that the value of the financial instrument will fluctuate due to changes in the foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD. The Group also uses the hedging transactions to manage risks in other currencies (note 25).

The table below analyses the effect on profit before taxation (due to change in the fair value of monetary assets and liabilities) and equity of an assumed 5% strengthening in the value of the currency rate against the KD from levels applicable at the year end, with all other variables held constant. A negative amount in the table reflects a potential net reduction in profit or equity, whereas a positive amount reflects a net potential increase.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.4 MARKET RISK (continued)

29.4.2 Foreign currency risk (continued)

Currency	*Change in currency rate by + 5%*			
	Effect on equity		*Effect on profit before taxation*	
	2020 KD 000's	*2019 KD 000's*	***2020 KD 000's***	*2019 KD 000's*
US$	**473**	1,738	**(24,463)**	(29,090)
EURO	**1,477**	872	**(1,533)**	(3,411)
GBP	**-**	**-**	**67**	65

An equivalent weakening in each of the above-mentioned currencies against the KD would result in an equivalent but opposite impact.

29.4.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The unquoted equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration.

The Group conducts sensitivity analysis on regular intervals in order to assess the potential impact of any major changes in fair value of equity instruments. Based on the results of the analysis conducted there are no material implication over the Group's profit and equity for a 5% fluctuation in major stock exchanges.

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in different industry sectors are as follows:

2020	***Financial assets at fair value through profit or loss KD 000's***	***Financial assets at fair value through other comprehensive income KD 000's***
Sovereigns	**2,861**	**14,973**
Banking	**584**	**19,112**
Investment	**72,523**	**19,477**
Trade and commerce	**-**	**287**
Real estate	**-**	**11,316**
Manufacturing	**-**	**1,216**
Others	**32,985**	**12,623**
	108,953	**79,004**

2019	*Financial assets at fair value through profit or loss KD 000's*	*Financial assets at fair value through other comprehensive income KD 000's*
Sovereigns	1,770	15,885
Banking	38,793	20,983
Investment	71,340	19,514
Trade and commerce	-	1,058
Real estate	-	24,821
Manufacturing	-	9,589
Others	31,909	13,172
	143,812	105,022

29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.4 MARKET RISK (continued)

29.4.3 Equity price risk (continued)

The Group's financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income in different geographical regions are as follows:

	MENA 2020 KD 000's	*Europe 2020 KD 000's*	*North America 2020 KD 000's*	*Asia 2020 KD 000's*	*Total 2020 KD 000's*	*Total 2019 KD 000's*
Financial assets at fair value through profit or loss						
Equity securities	7,254	16	13,907	34	**21,211**	20,514
Managed funds	11,356	8,577	67,809	-	**87,742**	123,298
	18,610	**8,593**	**81,716**	**34**	**108,953**	143,812
Financial assets at fair value through other comprehensive income						
Quoted equities	14,282	-	716	-	**14,998**	27,721
Unquoted equities	52,755	4,665	5,416	-	**62,836**	77,301
Managed funds	10	-	1,160	-	**1,170**	-
	67,047	**4,665**	**7,292**	-	**79,004**	105,022

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29 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

29.5 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as fixed rate mortgages when interest rate fall. The fixed rate assets of the Group are not significant compared to the total assets. Moreover, other market conditions causing prepayment is not significant in the markets in which the Group operates. Therefore, the Group considers the effect of prepayment on net interest income is not material after taking into account the effect of any prepayment penalties.

29.6 OPERATIONAL RISK

Operational risk is the risk of loss arising from the failures in operational process, people and system that supports operational processes. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk in addition to other types of risks relating to the banking and financial activities of the Group. Operational risk is managed by Risk management. Risk management ensures compliance with policies and procedures to identify, assess, supervise and monitor operational risk as part of overall risk management.

30 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS

Fair value of financial instruments are not materially different from their carrying values except for medium term notes whose fair value amounts to KD 621,232 thousand (2019: KD 786,082 thousand) (note 15). For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

The fair value of the above investment securities is categorised as per the policy on fair value measurement in Note 2.6. Movement in level 3 is mainly on account of purchase, sale and change in fair value, which is not material to the Group's consolidated financial statements.

Debt securities included under level 3 consists of unquoted corporate bonds issued by banks and financial institutions. The fair values of these bonds are estimated using discounted cash flow methods using credit spreads (ranging from 1% to 3%). Equities and other securities included in these categories mainly include strategic equity investments and managed funds which are not traded in an active market. The fair values of these investments are estimated by using valuation techniques that are appropriate in the circumstances. Valuation techniques includes discounted cash flow models, observable market information of comparable companies, recent transactions information and net asset values. Significant unobservable inputs used in valuation techniques mainly include discount rate, terminal growth rate, revenue, profit estimate and market multiples such as price to book and price to earnings. Given the diverse nature of these investments, it is not practical to disclose a range of significant unobservable inputs.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are repriced immediately based on market movement in interest rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.

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30 FAIR VALUE OF FINANCIAL AND NON-FINANCIAL INSTRUMENTS (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy as at 31 December 2020:

	Level 1 KD 000's	***Level 2 KD 000's***	***Level 3 KD 000's***	***Total fair value KD 000's***
Assets measured at fair value				
Financial assets at fair value through profit or loss:				
Equity securities	16,290	16	4,905	**21,211**
Debt securities	6,087	-	-	**6,087**
Managed funds	398	10,397	76,947	**87,742**
Forfaiting assets	-	-	137,168	**137,168**
Financial assets fair value through other comprehensive income:				
Equities	14,998	3,732	59,104	**77,834**
Debt securities	299,265	5,658	8,000	**312,923**
Managed funds	-	-	1,170	**1,170**
Derivatives (Note 27)	-	51,667	-	**51,667**
Liabilities measured at fair value				
Derivatives (Note 27)	-	(24,097)	-	**(24,097)**

Fair value measurement hierarchy as at 31 December 2019:

	Level 1 KD 000's	*Level 2 KD 000's*	*Level 3 KD 000's*	*Total fair value KD 000's*
Assets measured at fair value				
Financial assets at fair value through profit or loss:				
Equity securities	15,124	-	5,390	20,514
Debt securities	5,085	-	250	5,335
Managed funds	1,059	14,924	107,315	123,298
Forfaiting assets	-	-	139,475	139,475
Financial assets fair value through other comprehensive income:				
Equities	19,266	14,796	70,960	105,022
Debt securities	205,168	5,256	6,840	217,264
Derivatives (Note 27)	-	37,381	-	37,381
Liabilities measured at fair value				
Derivatives (Note 27)	-	(16,954)	-	(16,954)

There were no material transfers between the levels during the year.

The impact on the consolidated statement of financial position or the consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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31 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares or purchase/sale of treasury shares.

No Changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital at the level of the Parent Company and at each of the subsidiaries.

The Parent Company monitors capital on the basis of the carrying amount of its equity attributable to the equity holders of the Parent Company (excluding treasury shares held by subsidiaries of the Group) plus its net debt comprising of loans payable, bonds, medium-term notes and accrued interest less its cash and cash equivalents. The Parent Company’s goal is to maintains a capital-to-overall financing ratio of 1:2.5. Management assesses the Parent’s capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.

Each subsidiary of the Group is responsible for its own capital management and maintains a level of capital that is adequate to support its business and financial exposures. Furthermore, regulated subsidiaries of the Group are governed by the capital adequacy and/or other regulatory requirements in the jurisdictions in which they operate. The compliance to such capital adequacy and/or other regulatory requirements is monitored by each of the regulated subsidiaries on a regular basis.

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the management; the Group does not have a defined share buy-back plan.

How to obtain our 2020 Financial Statements:

Shareholders attending our General Assembly meeting will be provided with a draft printed copy of the Financial Statements for their approval. Shareholders can request a printed copy of the Financial Statements to be sent to them by courier seven days before the advertised date of the General Assembly; please call KIPCO's Corporate Communications Department on +965 2294 3477 to arrange this.

Shareholders can request a copy of the Financial Statements to be sent to them by email seven days before the advertised date of the General Assembly; please contact kipco@kipco.com to arrange this.

Shareholders can download a PDF copy of the Financial Statements seven days before the advertised date of the General Assembly from our company website www.kipco.com

For further information on our 2020 Financial Statements or for extra copies of this Review, please call +965 2294 3477

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