

**KUWAIT INVESTMENT COMPANY
K.S.C.P. AND ITS SUBSIDIARIES**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)**

30 SEPTEMBER 2020



Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74, Safat
13001 Safat, Kuwait
Baitak Tower, 18–20th Floor
Safat Square
Ahmed Al Jaber Street
Kuwait

Tel: +965 2295 5000 /
+965 2295 2880
Fax: +965 2245 6419
www.ey.com

INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT INVESTMENT COMPANY K.S.C.P.

Report on the Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Investment Company K.S.C.P. ("the Parent Company") and its subsidiaries (collectively, the "Group") as at 30 September 2020, and the related interim condensed consolidated statement of profit or loss, interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods then ended, and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended. The Parent Company's management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity.*" A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any 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, during the nine-month period ended 30 September 2020 that might have had a material effect on the business of the Parent Company or on its financial position.



INDEPENDENT AUDITOR'S REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT INVESTMENT COMPANY K.S.C.P. (continued)

Report on Other Legal and Regulatory Requirements (continued)

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2020 that might have had material effect on the business of the Parent Company or on its financial position.

A handwritten signature in blue ink, appearing to read 'Bader A. Al-Abduljader', is written over a horizontal dotted line.

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


3 November 2020
Kuwait

Kuwait Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2020

		30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
ASSETS				
Cash and cash equivalents	4	26,718,452	23,307,555	19,967,788
Term deposits		16,083,247	16,844,938	15,364,750
Accounts receivable and other assets		17,444,680	16,640,801	15,304,998
Loans and advances		3,233,694	2,850,185	2,859,590
Investment securities	5	122,691,905	130,616,438	125,911,326
Investment in associates		11,875,254	15,317,842	15,402,657
Investment properties		28,440,707	24,965,377	45,075,104
Intangible assets		11,042,602	11,042,602	11,042,602
Property and equipment		24,811,581	27,924,303	29,327,440
Right-of-use assets		7,350,245	8,926,744	9,452,245
		<u>269,692,367</u>	<u>278,436,785</u>	<u>289,708,500</u>
Assets held for sale	3	-	14,199,392	-
TOTAL ASSETS		<u><u>269,692,367</u></u>	<u><u>292,636,177</u></u>	<u><u>289,708,500</u></u>
LIABILITIES AND EQUITY				
Liabilities				
Deposits from banks and customers		84,133,739	82,637,872	85,185,606
Islamic finance payables		12,011,109	9,337,149	8,833,284
Accounts payable and other liabilities		23,335,800	17,550,450	14,631,606
Term loans		3,932,036	3,735,076	16,623,935
Lease liabilities		9,251,946	10,751,984	10,682,145
		<u>132,664,630</u>	<u>124,012,531</u>	<u>135,956,576</u>
Liabilities directly associated with the assets held for sale	3	-	8,149,258	-
Total liabilities		<u>132,664,630</u>	<u>132,161,789</u>	<u>135,956,576</u>
Equity				
Share capital		55,125,000	55,125,000	55,125,000
Treasury shares	6	(734,629)	(734,629)	(734,629)
Statutory reserve		31,805,102	31,805,102	29,960,206
Voluntary reserve		21,839,216	21,839,216	19,994,320
Asset revaluation surplus of an associate		2,260,091	2,260,091	4,742,731
Fair value reserve		(10,119,983)	(6,886,532)	(8,992,489)
Foreign currency translation reserve		2,091,354	1,231,280	1,295,528
Retained earnings		964,214	21,072,696	17,531,446
		<u>103,230,365</u>	<u>125,712,224</u>	<u>118,922,113</u>
Equity attributable to equity holders of the Parent Company		103,230,365	125,712,224	118,922,113
Non-controlling interests		33,797,372	34,762,164	34,829,811
		<u>137,027,737</u>	<u>160,474,388</u>	<u>153,751,924</u>
Total equity		<u>137,027,737</u>	<u>160,474,388</u>	<u>153,751,924</u>
TOTAL LIABILITIES AND EQUITY		<u><u>269,692,367</u></u>	<u><u>292,636,177</u></u>	<u><u>289,708,500</u></u>


Dr. Yousef M. Al Ali
Chairman


Bader N. AlSubaiee
Chief Executive Officer

The attached notes 1 to 17 form a part of this interim condensed consolidated financial information.

Kuwait Investment Company K.S.C.P. and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 KD	2019 KD	2020 KD	2019 KD
Net fee and commission income		1,841,748	2,315,373	5,476,695	6,130,992
Rental income		1,444,428	999,144	4,200,203	5,735,484
Net investment income (loss) on financial assets	7	5,400,758	(1,531,531)	(6,206,947)	9,644,670
Gain on derecognition of a subsidiary	3	-	-	109,443	-
Share of results of associates		(10,463)	(321,735)	(1,530)	(168,639)
Net loss from fair value remeasurement of investment properties		(150,130)	-	(150,130)	-
Gain on sale of investment property		-	-	-	548,359
(Charge for) release of provision for expected credit losses	8	(276,722)	1,415,024	(402,855)	1,481,064
Net foreign exchange differences		240,854	300,475	(1,031,626)	268,817
Other income		119,810	14,953	212,600	363,985
Net operating income		8,610,283	3,191,703	2,205,853	24,004,732
General and administrative expenses		(3,071,926)	(2,622,785)	(8,207,361)	(9,326,912)
Impairment of non-financial assets	9	-	-	(4,510,653)	-
Total operating expenses		(3,071,926)	(2,622,785)	(12,718,014)	(9,326,912)
Operating profit (loss)		5,538,357	568,918	(10,512,161)	14,677,820
Finance costs		(470,913)	(783,130)	(1,886,272)	(2,304,685)
Finance income		179,395	321,539	709,881	851,720
Profit (loss) before tax		5,246,839	107,327	(11,688,552)	13,224,855
Reversal of (allowance for) contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		-	408	-	(94,919)
Reversal of (allowance for) National Labour Support Tax (NLST)		-	7,731	-	(281,998)
Reversal of (allowance for) Zakat		-	5,748	-	(94,766)
PROFIT (LOSS) FOR THE PERIOD		5,246,839	121,214	(11,688,552)	12,753,172
Attributable to:					
Equity holders of the Parent Company		5,383,825	(306,664)	(11,839,516)	10,736,162
Non-controlling interests		(136,986)	427,878	150,964	2,017,010
		5,246,839	121,214	(11,688,552)	12,753,172
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (BASIC AND DILUTED)	10	9.82	(0.56)	(21.61)	19.59

The attached notes 1 to 17 form a part of this interim condensed consolidated financial information.

Kuwait Investment Company K.S.C.P and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 September 2020

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2020 KD</i>	<i>2019 KD</i>	<i>2020 KD</i>	<i>2019 KD</i>
PROFIT (LOSS) FOR THE PERIOD	5,246,839	121,214	(11,688,552)	12,753,172
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(172,192)	(395,545)	860,074	(560,499)
Share of associates other comprehensive (loss) income	(13,445)	16,577	(22,133)	52,042
Net other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	(185,637)	(378,968)	837,941	(508,457)
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Changes in the fair value of equity instruments at fair value through other comprehensive income	2,941,077	(677,096)	(3,415,716)	(2,574,248)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	2,941,077	(677,096)	(3,415,716)	(2,574,248)
Other comprehensive income (loss)	2,755,440	(1,056,064)	(2,577,775)	(3,082,705)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD)	8,002,279	(934,850)	(14,266,327)	9,670,467
Attributable to:				
Equity holders of the Parent Company	8,069,013	(1,306,641)	(14,309,247)	7,694,315
Non-controlling interests	(66,734)	371,791	42,920	1,976,152
	8,002,279	(934,850)	(14,266,327)	9,670,467

The attached notes 1 to 17 form a part of this interim condensed consolidated financial information.

Kuwait Investment Company K.S.C.P and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2020

	Attributable to equity holders of the Parent Company										
	Share capital KD	Treasury shares KD	Statutory reserve KD	Voluntary reserve KD	Assets revaluation surplus KD	Fair value reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total equity KD
As at 1 January 2020	55,125,000	(734,629)	31,805,102	21,839,216	2,260,091	(6,886,532)	1,231,280	21,072,696	125,712,224	34,762,164	160,474,388
(Loss) profit for the period	-	-	-	-	-	-	-	(11,839,516)	(11,839,516)	150,964	(11,688,552)
Other comprehensive loss for the period	-	-	-	-	-	(3,329,805)	860,074	-	(2,469,731)	(108,044)	(2,577,775)
Total comprehensive (loss) income for the period	-	-	-	-	-	(3,329,805)	860,074	(11,839,516)	(14,309,247)	42,920	(14,266,327)
Transfer of fair value reserve on derecognition of equity instruments designated at FVOCI	-	-	-	-	-	96,354	-	(49,140)	47,214	(47,214)	-
Dividends paid to equity holders of the Parent Company (Note 16)	-	-	-	-	-	-	-	(8,219,826)	(8,219,826)	-	(8,219,826)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(960,498)	(960,498)
At 30 September 2020	55,125,000	(734,629)	31,805,102	21,839,216	2,260,091	(10,119,983)	2,091,354	964,214	103,230,365	33,797,372	137,027,737
As at 1 January 2019	55,125,000	(734,629)	29,960,206	19,994,320	4,742,731	(6,511,141)	1,856,027	12,275,168	116,707,682	34,126,015	150,833,697
Profit for the period	-	-	-	-	-	-	-	10,736,162	10,736,162	2,017,010	12,753,172
Other comprehensive loss for the period	-	-	-	-	-	(2,481,348)	(560,499)	-	(3,041,847)	(40,858)	(3,082,705)
Total comprehensive (loss) income for the period	-	-	-	-	-	(2,481,348)	(560,499)	10,736,162	7,694,315	1,976,152	9,670,467
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(388,410)	(388,410)
Dividends paid to equity holders of the Parent Company (Note 16)	-	-	-	-	-	-	-	(5,479,884)	(5,479,884)	-	(5,479,884)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(883,946)	(883,946)
At 30 September 2019	55,125,000	(734,629)	29,960,206	19,994,320	4,742,731	(8,992,489)	1,295,528	17,531,446	118,922,113	34,829,811	153,751,924

The attached notes 1 to 17 form a part of this interim condensed consolidated financial information.

Kuwait Investment Company K.S.C.P and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2020

	Notes	Nine months ended 30 September	
		2020 KD	2019 KD
OPERATING ACTIVITIES			
(Loss) profit for the period		(11,688,552)	12,753,172
<i>Adjustments to reconcile profit to net cash flows:</i>			
Depreciation of property and equipment and right-of-use assets		5,638,225	5,765,262
Charge for (release of provision) for credit losses		402,855	(1,481,064)
Dividend income	7	(1,374,787)	(3,179,390)
Finance income		(709,881)	(851,720)
Change in fair value of financial assets at fair value through profit or loss (net)	7	8,985,507	(4,925,990)
Gain on sale of financial assets at fair value through profit or loss	7	(1,403,773)	(1,539,290)
Gain on derecognition of subsidiary		(109,443)	-
Gain on sale of investment property		-	(548,359)
Change in fair value of investment properties		150,130	-
Share of results of associates		1,530	168,639
Impairment of non-financial assets	9	4,510,653	-
Net foreign exchange differences		1,031,626	(268,817)
Finance costs		1,886,272	2,304,685
		<u>7,320,362</u>	<u>8,197,128</u>
<i>Changes in operating assets and liabilities:</i>			
Term deposits		761,691	336,600
Wakala receivables		-	3,638,800
Financial assets at fair value through profit or loss		(3,446,887)	2,375,804
Accounts receivable and other assets		(1,388,225)	608,821
Loans and advances		(335,418)	15,681
Accruals and other liabilities		(432,771)	(827,249)
Net cash flows from operating activities		<u>2,478,752</u>	<u>14,345,585</u>
INVESTING ACTIVITIES			
Acquisition of a subsidiary, net of cash acquired	3	-	(5,596,060)
Proceeds from derecognition of a subsidiary	3	3,803,766	-
Maturity of debt instruments at amortised cost		3,000,195	-
Purchase of property and equipment		(3,643,971)	(5,724,389)
Purchase of investment properties		(3,185,000)	(9,824,939)
Proceeds from disposal of investment properties		-	2,680,074
Proceeds from disposal of property and equipment		1,682,662	535,066
Purchase of financial assets at FVOCI		(787,220)	(179,469)
Proceeds from sale of financial assets at FVOCI		220,131	-
Dividend income received		1,374,787	3,179,390
Finance income received		756,766	905,663
Net cash flows from (used in) from investing activities		<u>3,222,116</u>	<u>(14,024,664)</u>
FINANCING ACTIVITIES			
Net movement in banks and customers' deposits		1,343,379	12,154,394
Finance costs paid		(1,897,330)	(1,928,268)
Repayment of term loans		-	4,987,180
Payment of lease liabilities		(1,681,685)	(1,681,834)
Net movement in Islamic finance payables		2,673,960	(439,544)
Dividends paid to equity holders of the Parent Company		(1,809,001)	(5,506,587)
Dividends paid to non-controlling interests		(960,498)	(883,946)
Net movement in non-controlling interests		-	(388,410)
Movement in restricted bank balances		(6,466,628)	-
Net cash flows (used in) from financing activities		<u>(8,797,803)</u>	<u>6,312,985</u>
Effect of foreign currency translation adjustments		41,204	1,374
Net (decrease) increase in cash and cash equivalents		<u>(3,055,731)</u>	<u>6,635,280</u>
Cash and cash equivalents at 1 January		23,307,555	13,332,508
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	4	<u>20,251,824</u>	<u>19,967,788</u>

The attached notes 1 to 17 form a part of this interim condensed consolidated financial information.

Kuwait Investment Company K.S.C.P and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

1. CORPORATE INFORMATION

The interim condensed consolidated financial information of Kuwait Investment Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the nine months ended 30 September 2020 was authorised for issue in accordance with a resolution of the Board of Directors on 3 November 2020.

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

The registered office of the Parent Company is located at Souk Al Manakh Building, 5th Floor, Mubarak Al Kabeer Street, Sharq, Kuwait.

Kuwait Investment Authority ("KIA") is the ultimate parent of the Group. The Parent Company is principally engaged in investment and financial services. The principal activities of the Group are described in Note 14.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 3 March 2020 approved the consolidated financial statements for the year ended 31 December 2019. Dividends declared and paid by the Group for the year then ended are provided in Note 16.

2. BASIS OF PREPARATION AND AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information for the nine months ended 30 September 2020 has been prepared in accordance with IAS 34 *Interim Financial Reporting*, except as noted below.

The interim condensed consolidated financial information for the nine months ended 30 September 2020 is prepared in accordance with the regulations issued by the Central Bank of Kuwait ("CBK") for financial services institutions in the State of Kuwait. These regulations require the expected credit loss ("ECL") on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait). The ECL on loans and advances computed under IFRS 9 in accordance with the CBK guidelines amounted to KD 19,068,962 as at 30 September 2020 (31 December 2019: KD 18,993,412), which is lower than the provision required by CBK instructions.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019.

2.2. Summary of accounting policies for new transactions and events

Government grants

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

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

2.3. New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

2. BASIS OF PREPARATION AND AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

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

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial information of the Group.

Amendments to IFRS 3: *Definition of a Business*

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

Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform*

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

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

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

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

Conceptual Framework for Financial Reporting issued on 29 March 2018

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

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

These amendments had no impact on the interim consolidated condensed financial information of the Group.

Amendments to IFRS 16 *Covid-19 Related Rent Concessions*

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

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

Kuwait Investment Company K.S.C.P and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

3. BUSINESS COMBINATIONS

Information on prior year's acquisition (Cubeb S.A.R.L.)

On 28 June 2019, the Parent Company, through a wholly owned special purpose entity Hydon S.A.R.L, acquired 100% equity interest in Cubeb S.A.R.L., a private company holding ownership in a commercial property domiciled in Dusseldorf, Federal Republic of Germany. The acquisition has been accounted for using the acquisition method.

The consideration paid and the provisional values of the assets acquired and liabilities assumed, are equivalent to their carrying values at the acquisition date, and are summarised as follows:

	<i>Carrying values on acquisition KD</i>
ASSETS	
Other assets	44,585
Investment property	14,131,946
Total assets	14,176,531
LIABILITIES	
Term loans	8,272,358
Total liabilities	8,272,358
Equity	5,904,173
Total identifiable net assets acquired	5,904,173
Purchase consideration	5,904,173
Provisional goodwill on acquisition	-
<i>Analysis of cash flows on acquisition:</i>	
Cash paid	5,812,177

Term loans comprise bank loans availed from a bank in the Federal Republic of Germany amounting to of KD 8,272,358 and repayable in [quarterly/ semi-annual] installments over a period of 5 years with an interest rate of 1.17% per annum.

During the previous year, the management announced its intentions to exit its investment in Hydon S.A.R.L. ("structured entity") and sell its equity interest to various third party investors in the form of units that entitle the investors to the net assets of the structured entity. Accordingly, the structured entity was classified as a disposal group held for sale as at 31 December 2019.

During the period ended 30 September 2020, the Parent Company partially sold its equity interest in Hydon S.A.R.L. for a total consideration of KD 3,803,766 resulting in loss of control. The resultant gain from this transaction amounting to KD 109,443 is recognised in profit or loss. The retained interest in the former subsidiary is accounted for as a financial asset at fair value through profit or loss in accordance with IFRS 9.

The total gain on the step disposal of the subsidiary is calculated as follows:

	<i>KD</i>
Proceeds from the sale	3,803,766
Net assets of the subsidiary derecognised	(5,870,377)
Fair value of asset reclassified to financial assets at fair value through profit or loss (Note 13)	2,277,687
Reclassification of cumulative amount of exchange differences (recognised in OCI)	(101,633)
Gain on step disposal of the subsidiary attributable to the Parent Company	109,443

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4. CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	30 September 2020 KD	<i>(Audited)</i> 31 December 2019 KD	30 September 2019 KD
Cash at banks, in portfolios and on hand	18,074,063	14,395,651	11,186,603
Placements maturing within three months	8,644,389	8,911,904	8,781,185
Total cash and short-term deposits	26,718,452	23,307,555	19,967,788
Less: Restricted cash	(6,466,628)	-	-
Total cash and cash equivalents	20,251,824	23,307,555	19,967,788

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Restricted cash represents deposits with a local financial institution that are subject to regulatory restrictions and are therefore not available for general use by the Group.

5. INVESTMENT SECURITIES

	30 September 2020 KD	<i>(Audited)</i> 31 December 2019 KD	30 September 2019 KD
Debts instruments at amortised cost*	-	3,000,195	3,010,095
Equity instruments designated at FVOCI	15,891,946	18,157,930	20,556,839
Financial assets at FVTPL	106,799,959	109,458,313	102,344,392
	122,691,905	130,616,438	125,911,326

* Debt instruments at amortised cost represent unquoted bonds denominated in US Dollars ("USD"), with a 6% coupon payable semi-annually and matured on May 2020.

6. TREASURY SHARES

	30 September 2020	<i>(Audited)</i> 31 December 2019	30 September 2019
Number of shares	3,261,581	3,261,581	3,261,581
Percentage of issued shares	0.5917%	0.5917%	0.5917%
Cost ("KD")	734,629	734,629	734,629
Market value ("KD")	410,959	489,237	446,837

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

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7. NET INVESTMENT INCOME (LOSS) ON FINANCIAL ASSETS

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Dividend income	83,870	157,560	1,374,787	3,179,390
Change in fair value of financial assets at FVTPL	3,983,688	(2,170,008)	(8,985,507)	4,925,990
Gain on sale of financial assets at FVTPL	1,333,200	480,917	1,403,773	1,539,290
	<u>5,400,758</u>	<u>(1,531,531)</u>	<u>(6,206,947)</u>	<u>9,644,670</u>

8. (CHARGE FOR) RELEASE OF PROVISION FOR EXPECTED CREDIT LOSSES

The amount for the previous period includes an amount of KD 1,452,021 representing reversal of a previously recognised impairment loss on Wakala receivables.

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Impairment of investment in associates	-	-	3,360,341	-
Impairment of property and equipment	-	-	1,150,312	-
	<u>-</u>	<u>-</u>	<u>4,510,653</u>	<u>-</u>

Reviews for indicators of impairment and any resulting tests for impairment of non-financial assets (i.e intangible, investment in associates and property and equipment) are performed at the interim reporting date in the same manner as at the annual reporting date. With the recent developments of the Covid-19 outbreak, there are both external and internal sources of information, such as overall decline in activities, as well as ongoing economic uncertainty, which have led to decreased demand for the products or services indicating that certain non-financial assets may be impaired. Accordingly, the Group concluded that the respective CGUs should be tested for impairment.

i. Intangible assets

Management considered, amongst other factors, the negative outlook due to the impact of the coronavirus pandemic in the determination of the recoverable amount of the cash generating units (CGUs).

The recoverable amount has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period based on the historical pattern of trade volumes, revenue growth and market share. The discount rate applied to cash flow projections is 9.64% (31 December 2019: 10.3%) and cash flows beyond the five-year period are extrapolated using a 3% growth rate (31 December 2019: 3%), which does not exceed the long term average growth rate of the State of Kuwait.

As a result of the analysis, management did not identify an impairment for this CGU for the interim reporting period ended 30 September 2020.

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9. IMPAIRMENT OF NON-FINANCIAL ASSETS (continued)**ii. Investment in associates**

Reviews for indicators of impairment and any resulting tests for impairment of the associates are performed at the interim reporting date in the same manner as at the annual reporting date. With the recent developments of the Covid-19 outbreak, there are both external and internal sources of information, such as overall decline in the activities of certain associates, as well as ongoing economic uncertainty, which have led to decreased demand for the associates' products or services indicating that the associates may be impaired. Accordingly, the Group concluded that the respective CGUs should be tested for impairment.

Management considered, amongst other factors, the negative outlook due to the impact of the coronavirus pandemic in the determination of the recoverable amount of the cash generating units (CGUs).

As a result of the analysis, the recoverable amount of the respective CGUs subject to impairment testing based on value in use as at 30 September 2020 was estimated to be lower than the carrying value of the associates as of that date, accordingly, management has identified impairment loss on its investment in an associates of KD 3,360,341 during the period ended 30 September 2020 largely as a result of the negative economic outlook related to the consequences of the coronavirus pandemic.

Sensitivity to changes in assumptions

With regard to the assessment of value-in-use, there are no significant changes to the key assumptions disclosed in the annual consolidated financial statements for the year ended 31 December 2019. Any adverse change in a key assumptions could result in an impairment loss or further impairment loss.

iii. Property and equipment

During the current period, the impairment loss of KD 1,150,312 represented the write-down of certain property and equipment in one of the Group's subsidiaries to the recoverable amount as a result of the geopolitical situation and deteriorating economic conditions in the country in which the assets are located.

10. EARNINGS PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Profit (loss) for the period attributable to equity holders of the Parent Company (KD)	5,383,825	(306,664)	(11,839,516)	10,736,162
Weighted average number of shares outstanding (shares) *	547,988,419	547,988,419	547,988,419	547,988,419
Basic and diluted EPS (fils)	9.82	(0.56)	(21.61)	19.59

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

There have been no transactions involving ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information which would require the restatement of EPS.

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11. FIDUCIARY ASSETS

The Group manages investment portfolios on behalf of KIA, government agencies and other financial institutions. The total carrying value of these portfolios as at 30 September 2020 amounted to KD 1.989 billion (31 December 2019: KD 2.134 billion and 30 September 2019: KD 2.036 billion) which are not reflected in the interim condensed consolidated financial information.

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

Income earned from the above fiduciary assets amounted to KD 5,030,520 for the nine-month period ended 30 September 2020 (for the year ended 31 December 2019: KD 7,091,471 and for the nine-month period ended 30 September 2019: KD 5,059,508).

12. RELATED PARTY DISCLOSURES

Related parties represent the i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and are subject to the approval of the shareholders at the annual general assembly meeting (AGM).

The following table provides the total amount of transactions that have been entered into with related parties during the nine months 30 September 2020 and 2019, as well as balances with related parties as at 30 September 2020, 31 December 2019 and 30 September 2019.

	<i>30 September</i> <i>2020</i> <i>KD</i>	<i>(Audited)</i> <i>31 December</i> <i>2019</i> <i>KD</i>	<i>30 September</i> <i>2019</i> <i>KD</i>
Statement of financial position:			
Deposits from customers	41,121,244	43,255,524	42,313,043
Accounts payable and other liabilities	40,509	127,621	167,231

The average interest rate on deposits from customers during the period was 0.72% (31 December 2019: 1.99% and 30 September 2019: 2.33%).

Transactions carried out with related parties during the period were as follows:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>	<i>2020</i> <i>KD</i>	<i>2019</i> <i>KD</i>
Interim condensed consolidated statement of profit or loss:				
Management fees and commission income	845,077	1,134,621	2,493,543	2,851,285
Finance costs	(115,371)	(257,400)	(541,762)	(829,051)

Key management personnel

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

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12. RELATED PARTY DISCLOSURES (continued)

Key management personnel (continued)

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<i>Key management personnel compensation</i>				
Salaries and other short-term benefits	(121,719)	(93,308)	(429,795)	(401,777)
Post-employment benefits	(20,533)	(20,066)	(61,352)	(48,644)
	<u>(142,252)</u>	<u>(113,374)</u>	<u>(491,147)</u>	<u>(450,421)</u>

The Board of Directors in their meeting held on 9 February 2020 proposed directors' remuneration of KD 145,000 for the year ended 31 December 2019. This proposal was approved by the shareholders at the AGM held on 3 March 2020.

13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below, is an overview of financial assets, other than cash and short-term deposits, held by the Group as at 30 September 2020, 31 December 2019 and 30 September 2019:

	<i>30 September</i>	<i>(Audited)</i>	<i>30 September</i>
	<i>2020</i>	<i>31 December</i>	<i>2019</i>
	<i>KD</i>	<i>2019</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Debt instruments at amortised cost:			
Accounts receivable and other assets	17,444,680	16,640,801	15,304,998
Loans and advances	3,233,694	2,850,185	2,859,590
Bonds	-	3,000,195	3,010,095
	<u>20,678,374</u>	<u>22,491,181</u>	<u>21,174,683</u>
Financial assets at FVTPL:			
Quoted equity securities	15,131,490	15,167,277	13,056,429
Unquoted equity securities	27,240,849	27,804,659	24,836,682
Unquoted funds	64,427,620	66,486,377	64,451,281
	<u>106,799,959</u>	<u>109,458,313</u>	<u>102,344,392</u>
Financial assets at FVOCI:			
Quoted equity securities	1,142,828	1,117,610	1,117,983
Unquoted equity securities	14,749,118	17,040,320	19,438,856
	<u>15,891,946</u>	<u>18,157,930</u>	<u>20,556,839</u>
Total	<u>143,370,279</u>	<u>150,107,424</u>	<u>144,075,914</u>

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13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Set out below is an overview of financial liabilities, held by the Group as at 30 September 2020, 31 December 2019 and 30 September 2019:

	30 September 2020 KD	(Audited) 31 December 2019 KD	30 September 2019 KD
Financial liabilities at amortised cost:			
Deposits from banks and customers	84,133,739	82,637,872	85,185,606
Islamic finance payables	12,011,109	9,337,149	8,833,284
Accounts payable and other liabilities	23,335,800	17,550,450	14,631,606
Term loans	3,932,036	3,735,076	16,623,935
Total	123,412,684	113,260,547	125,274,431

Fair values

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 30 September 2020, 31 December 2019 and 30 September 2019:

		Fair value measurement using		
		Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD
<i>As at 30 September 2020</i>				
Financial assets at FVTPL:	Total KD			
Quoted equity securities	15,131,490	15,131,490	-	-
Unquoted equity securities	27,240,849	-	-	27,240,849
Unquoted funds	64,427,620	-	64,427,620	-
	106,799,959	15,131,490	64,427,620	27,240,849
Financial assets at FVOCI:				
Quoted equity securities	1,142,828	1,142,828	-	-
Unquoted equity securities	14,749,118	-	-	14,749,118
	15,891,946	1,142,828	-	14,749,118
Investment securities (at fair value)	122,691,905	16,274,318	64,427,620	41,989,967
<i>31 December 2019 (Audited)</i>				
Financial assets at FVTPL:				
Quoted equity securities	15,167,277	15,167,277	-	-
Unquoted equity securities	27,804,659	-	-	27,804,659
Unquoted funds	66,486,377	-	66,486,377	-
	109,458,313	15,167,277	66,486,377	27,804,659
Financial assets at FVOCI				
Quoted equity securities	1,117,610	1,117,610	-	-
Unquoted equity securities	17,040,320	-	-	17,040,320
	18,157,930	1,117,610	-	17,040,320
Investment securities (at fair value)	127,616,243	16,284,887	66,486,377	44,844,979

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13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Total KD	Fair value measurement using		
		Quoted prices in active markets (Level 1) KD	Significant observable inputs (Level 2) KD	Significant unobservable inputs (Level 3) KD
<i>As at 30 September 2019</i>				
Financial assets at FVTPL:				
Quoted equity securities	13,056,429	13,056,429	-	-
Unquoted equity securities	24,836,682	-	-	24,836,682
Unquoted funds	64,451,281	-	64,451,281	-
	<u>102,344,392</u>	<u>13,056,429</u>	<u>64,451,281</u>	<u>24,836,682</u>
Financial assets at FVOCI:				
Quoted equity securities	1,117,983	1,117,983	-	-
Unquoted equity securities	19,438,856	-	-	19,438,856
	<u>20,556,839</u>	<u>1,117,983</u>	<u>-</u>	<u>19,438,856</u>
Investment securities (at fair value)	<u>122,901,231</u>	<u>14,174,412</u>	<u>64,451,281</u>	<u>44,275,538</u>

The management assessed that the fair values of cash and cash equivalents, term deposits, accounts receivable and other assets, wakala receivables, loans and advances, deposits from banks and customers, Islamic finance payables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy:

	Non-listed equity investments		
	Financial assets at FVOCI KD	Financial assets at FVTPL KD	Total KD
<i>30 September 2020</i>			
As at 1 January 2020	17,040,320	27,804,659	44,844,979
Remeasurement recognised in OCI	(2,291,202)	-	(2,291,202)
Remeasurement recognised in profit or loss	-	(2,532,794)	(2,532,794)
Purchases / sales (net)	-	(308,703)	(308,703)
Reclassified from assets held for sale (Note 3)	-	2,277,687	2,277,687
As at 30 September 2020	<u>14,749,118</u>	<u>27,240,849</u>	<u>41,989,967</u>
<i>31 December 2019 (Audited)</i>			
As at 1 January 2019	22,062,462	23,312,622	45,375,084
Remeasurement recognised in OCI	(5,201,611)	-	(5,201,611)
Remeasurement recognised in profit or loss	-	2,591,347	2,591,347
Purchases / sales (net)	179,469	1,900,690	2,080,159
As at 31 December 2019	<u>17,040,320</u>	<u>27,804,659</u>	<u>44,844,979</u>

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13. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Reconciliation of recurring fair value measurements categorised within Level 3 of the fair value hierarchy: (continued)

	<i>Non-listed equity investments</i>		
	<i>Financial assets at FVOCI</i>	<i>Financial assets at FVTPL</i>	<i>Total</i>
30 September 2019	<i>KD</i>	<i>KD</i>	<i>KD</i>
As at 1 January 2019	22,062,462	23,160,969	45,223,431
Remeasurement recognised in OCI	(2,803,075)	-	(2,803,075)
Remeasurement recognised in profit or loss	-	1,259,561	1,259,561
Purchases / sales (net)	179,469	416,152	595,621
As at 30 September 2019	19,438,856	24,836,682	44,275,538

There were no transfers between Level 1 and Level 2 fair value measurements during the period/ year, and no transfers into or out of Level 3 fair value measurements during the period/ year.

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

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

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

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Set out below are the significant unobservable inputs to valuation of the non-listed equity investments as at 30 September 2020:

Significant unobservable valuation inputs	Range	Sensitivity of the input to fair value
Discount for lack of marketability (DLOM)	15% - 50%	10% increase (decrease) in the discount would decrease (increase) the fair value by KD 1,092,621.

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

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14. SEGMENT INFORMATION

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

- ▶ **Asset Management:** Consists of quoted securities trading and management of funds and portfolios
- ▶ **Direct Investments and Corporate Finance (DICF):** Consists of managing subsidiaries, associates, long term strategic investments , lending , real estate and rental activities
- ▶ **Treasury:** Consists of foreign exchange contracts and money market activities
- ▶ **Other operations:** Management and support activities

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

<i>Nine months ended 30 September 2020</i>	<i>Asset management KD</i>	<i>DICF KD</i>	<i>Treasury KD</i>	<i>Other operations KD</i>	<i>Total KD</i>
Segment revenue	1,345,966	(4,634,184)	1,635,102	4,570,380	2,917,264
Segment expenses	(1,814,707)	(6,244,555)	(1,395,071)	488,272	(8,966,061)
Segment results	(468,741)	(10,878,739)	240,031	5,058,652	(6,048,797)
Depreciation and amortisation	(140)	(99)	(21)	(5,637,965)	(5,638,225)
Share of results of associates	-	(1,530)	-	-	(1,530)
Segment (loss) profit	(468,881)	(10,880,368)	240,010	(579,313)	(11,688,552)
Total assets	87,890,259	110,789,772	-	71,012,336	269,692,367
Total liabilities	80,579	6,236,485	84,208,393	42,139,173	132,664,630
<i>Other disclosures:</i>					
Investment in associates	-	11,875,254	-	-	11,875,254
Capital expenditure	-	-	-	3,643,971	3,643,971
<i>Nine months ended 30 September 2019</i>					
Segment revenue	12,149,176	6,466,577	2,667,029	7,049,227	28,332,009
Segment expenses	(2,780,236)	(5,070,088)	(1,860,512)	65,900	(9,644,936)
Segment results	9,368,940	1,396,489	806,517	7,115,127	18,687,073
Depreciation and amortisation	(110)	(43,790)	-	(5,721,362)	(5,765,262)
Share of results of associates	-	(168,639)	-	-	(168,639)
Segment profit	9,368,830	1,184,060	806,517	1,393,765	12,753,172
Total assets	79,311,910	133,858,208	3,032,671	73,505,711	289,708,500
Total liabilities	80,349	7,648,634	88,136,110	40,091,483	135,956,576
<i>Other disclosures:</i>					
Investment in associates	-	15,402,657	-	-	15,402,657
Capital expenditure	-	-	-	5,742,389	5,742,389

Kuwait Investment Company K.S.C.P and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

14. SEGMENT INFORMATION (continued)

The geographical analysis of the Group analyses the Group's income and assets by the Company's country of domicile and other countries. In presenting the geographical information, segment income has been based on the geographical location from which income is derived and segment assets were based on the geographic location of assets.

<i>30 September 2020</i>	<i>Income KD</i>	<i>Assets KD</i>	<i>Capital expenditure KD</i>
Kuwait	793,784	189,746,069	3,643,971
Other GCC countries	(1,351,580)	31,056,645	-
Other Middle East and North Africa (MENA)	(124,038)	2,287,582	-
Europe	2,366,981	34,264,503	-
Americas	696,462	6,403,990	-
Asia	729,648	5,933,578	-
	<u>3,111,257</u>	<u>269,692,367</u>	<u>3,643,971</u>

<i>31 December 2019 (Audited)</i>	<i>Income KD</i>	<i>Assets KD</i>	<i>Capital expenditure KD</i>
Kuwait	31,917,395	187,749,829	8,498,199
Other GCC countries	1,150,518	47,854,273	-
Other Middle East and North Africa (MENA)	530,485	2,662,570	-
Europe	5,165,545	40,656,544	-
Americas	963,011	8,271,585	-
Asia	292,514	5,441,376	-
	<u>40,019,468</u>	<u>292,636,177</u>	<u>8,498,199</u>

<i>30 September 2019</i>	<i>Income KD</i>	<i>Assets KD</i>	<i>Capital expenditure KD</i>
Kuwait	21,188,486	174,450,200	5,724,389
Other GCC countries	122,355	56,422,760	-
Other Middle East and North Africa (MENA)	13,998	2,402,808	-
Europe	2,781,450	46,416,212	-
Americas	792,226	5,226,861	-
Asia	(42,063)	4,789,659	-
	<u>24,856,452</u>	<u>289,708,500</u>	<u>5,724,389</u>

15. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 September 2020 KD</i>	<i>(Audited) 31 December 2019 KD</i>	<i>30 September 2019 KD</i>
Letters of guarantee	<u>2,293,122</u>	<u>2,293,122</u>	<u>2,293,122</u>
Investment commitments	<u>75,246</u>	<u>74,262</u>	<u>74,507</u>

16. DISTRIBUTIONS MADE AND PROPOSED

- ▶ The Parent Company's Board of Directors in their meeting held on 9 February 2020 proposed cash dividends of 15 fils per share (aggregating to KD 8,219,826) for the year ended 31 December 2019. This proposal has been approved by the shareholders at the AGM on 3 March 2020.
- ▶ The Parent Company's Board of Directors in their meeting held on 17 February 2019 proposed cash dividends of 10 fils per share (aggregating to KD 5,479,884) for the year ended 31 December 2018. This proposal has been approved by the shareholders at the AGM on 25 March 2019.

17 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Group's business in various significant ways.

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 30 September 2020.

17.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 30 September 2020, there were no significant changes to the risk management objectives and policies as compared to the audited financial statements as at 31 December 2019.

17.1.1 Credit risk

The Group has concluded that it is not significantly exposed to credit risk as a result of the outbreak as its financial assets constitute cash and bank balances and trade and other receivables. While cash and bank balances are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss on cash and bank balances was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

The ECL calculation and the measurement of significant deterioration in credit risk both incorporate forward-looking information using a range of macroeconomic scenarios and, as such, the Group shall reassess the inputs to the provision matrix used to calculate ECLs. Uncertainties in market trends and economic conditions may persist due to Covid-19 pandemic, which may impact actual results which differ materially from the estimates in ECL.

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As at and for the period ended 30 September 2020

17 IMPACT OF COVID-19 (continued)

17.1 Risk management (continued)

17.1.2 Liquidity risk

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

The Group aims to maintain the level of its cash and cash equivalents and other highly marketable investment securities at an amount in excess of expected cash outflows on financial liabilities. In addition, the Group's liquidity management involves the following:

- ▶ Day to day funding is managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature.
- ▶ Maintaining rolling forecasts of the Group's overall liquidity position on the basis of expected cash flows.
- ▶ Monitoring liquidity ratios and net current assets against internal standards.

17.2 Use of estimates and assumptions

The Group based its assumptions and estimates on parameters available when the interim condensed financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the Group.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

Fair value measurement of investment securities

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 its investment securities represent the price that would be achieved for transactions between market participants in the current scenario. Further information on the Group's policy in relation to fair value measurements is disclosed in the annual financial statements as at and for the year ended 31 December 2019.

Property, plant and equipment (PP&E), investment properties, investment in an associate and intangible assets (non-financial assets)

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

As the situation continues to unfold, the Group will continuously monitor the market outlook and use relevant assumptions in reflecting the values of these non-financial assets as and when they occur.

Trade and other receivables

The Group uses the simplified model in calculation the ECL for trade receivables that do not contain a significant financing component by establishing 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. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments). The Group identifies the expected real growth of the respective industry in which the Group operates and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2020

17 IMPACT OF COVID-19 (continued)

17.3 Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital, and liquidity. The impact of COVID-19 may continue to evolve, but at the present time, the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, the interim condensed consolidated financial information has been appropriately prepared on a going concern basis.