KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2019

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Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Kuwait and Middle East Financial Investment Company K.S.C.P. (the " Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), as adopted for use by the State of Kuwait.

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

Other Matter
The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another independent auditor who expressed an unmodified opinion on those statements on 10 March 2019.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

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

Valuation of investment securities

The Group's investment securities represent 41% (2018: 38%) of the Group's total assets that are measured at fair value and classified as financial assets at fair value through other comprehensive income (FVOCI) or financial assets at fair value through profit or loss (FVPTL) as disclosed in Note 7 to the consolidated financial statements.

When the fair values of investment securities cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in determining their fair values.

Due to significance of such investment securities carried at fair value and related estimation uncertainty, this is considered a key audit matter.

Our audit procedures included, among others, the following:

- For valuations which used significant unobservable inputs, we have tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy. We have assessed the valuation methodology used and significant judgments and assumptions applied to the valuation model.

- We assessed the adequacy and the appropriateness of the Group's disclosures concerning the fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in Note 22 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Legal claim contingencies

The Parent Company is involved in various litigations as disclosed in Notes 3.1, 6 and 24 to the consolidated financial statements. Since the ultimate outcome of asserted claims and proceedings cannot be predicted with a reasonable degree of certainty, an adverse or a favorable outcome could have a material effect on the Group's consolidated financial position, results from operations and cash flows.

We focused on this area because of the potential significance of the ongoing litigations. The determination of whether to recognise a liability or not, or make disclosure in the consolidated financial statements, for claims received or recognise an asset for potential recoveries, requires the management to exercise considerable judgement. Given the uncertainty and judgement involved in this area, we determined this as a key audit matter.

Our audit procedures included among others the following:

- We assessed the Group's process for identifying and monitoring significant developments arising from the legal cases.
- We assessed the progress of all significant legal cases, including reviewing the Group's relevant correspondences and minutes of the meetings of Board of Directors.
- We held regular meetings with the management and the Group's in-house legal counsel to update our understanding of the status of ongoing legal proceedings, made inquiries to the external legal counsel, evaluated the external legal confirmation letters obtained and compared these with management's information and position.
- We also assessed the appropriateness and adequacy of the disclosure regarding the legal cases as disclosed in Notes 3.1, 6 and 24 of the consolidated financial statements.

Impairment of intangible asset

The Group has intangible asset amounted to KD 8.6 million as at 31 December 2019 representing a brokerage license for which management assessed as having an indefinite useful life as detailed in Note 8 to the consolidated financial statements. Intangible asset with an indefinite useful life shall be tested for impairment annually by comparing its carrying amount with its recoverable amount, irrespective of whether there is an indication of impairment.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P. (continued)

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

Key Audit Matters (continued)

Impairment of intangible asset (continued)

The annual impairment testing of intangible asset is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment and estimates applied by the management that are required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the intangible asset, which is based on the higher of the value in use or fair value less cost to sell, has been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future trading volumes and values, revenue growth rates, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate).

The Group engaged an external management expert to assist with the impairment testing.

Our audit procedures included, among others, the following:

- We involved our internal valuation specialists to assist us in challenging the methodology used in the impairment assessment and evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant markets in which the CGUs operate.

- We evaluated whether the external management expert has the necessary competency, capabilities and objectivity for audit purposes.

- We assessed the appropriateness of the assumptions applied to key inputs such as trade volumes and values, operating costs, inflation and long-term growth rates, which included comparing these inputs with externally derived data as well as our own assessments based on knowledge of the client and the industry.

- We evaluated the adequacy of the Group's disclosures concerning intangible assets in Note 8 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P. (continued)

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

Other information included in the Group's 2019 Annual Report
Management is responsible for the other information. Other information consists of the information included in Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2019 Annual Report after the date of our auditor's report.

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P. (continued)

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

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

- 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, related safeguards.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUWAIT AND MIDDLE EAST FINANCIAL INVESTMENT COMPANY K.S.C.P. (continued)

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

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2019 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 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
(AL-AIBAN, AL-OSAIMI & PARTNERS)

31 March 2020
Kuwait

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*2019* *KD*	*(Restated)** *2018* *KD*
ASSETS			
Cash and short-term deposits	4	**2,161,692**	4,074,859
Other assets	5	**787,209**	647,577
Investment securities	7	**8,310,164**	8,412,963
Intangible asset	8	**8,600,000**	8,600,000
Furniture and equipment	9	**322,588**	409,583
TOTAL ASSETS		**20,181,653**	22,144,982
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other liabilities	10	**2,219,981**	2,789,441
Term loan	11	**-**	2,456,300
Total liabilities		**2,219,981**	5,245,741
Equity			
Share capital	12	**26,381,499**	26,381,499
Treasury shares	13	**(536,114)**	(1,212,906)
Treasury shares reserve	13	**1,576,307**	2,042,260
Fair value reserve		**(11,093)**	(46,103)
Accumulated losses		**(11,312,589)**	(12,008,637)
Equity attributable to equity holders of the Parent Company		**16,098,010**	15,156,113
Non-controlling interests	18	**1,863,662**	1,743,128
Total equity		**17,961,672**	16,899,241
TOTAL LIABILITIES AND EQUITY		**20,181,653**	22,144,982

* Certain numbers shown here do not correspond to the 31 December 2018 consolidated financial statements and reflect adjustments made as explained in Note 26.

Hamad Saleh Al Thekair
Chairman

Adel Fahed Al Humaidhi
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	2019 KD	(Restated)* 2018 KD
Management fees		**1,490,237**	1,521,210
Commission income		**1,233,701**	860,487
Net gain on investments at FVTPL		**783,824**	574,912
Dividend income		**144,902**	135,222
Net foreign exchange differences		**136**	36,616
Finance income		**66,086**	74,734
Other income		**1,886**	1,659
Net operating income		**3,720,772**	3,204,840
General and administrative expenses	16	**(1,995,426)**	(1,808,885)
Other operating expenses		**(861,969)**	(782,689)
Finance costs		**(53,466)**	(93,980)
Reversal of provision for loans and advances		**-**	58
Total operating expenses		**(2,910,861)**	(2,685,496)
Profit before tax and directors' remuneration		**809,911**	519,344
National labour support tax		**(24,486)**	(2,737)
Zakat		**(3,205)**	(1,095)
Directors' remuneration		**(12,000)**	(12,000)
PROFIT FOR THE YEAR		**770,220**	503,512
Attributable to:			
Equity holders of the Parent Company		**655,418**	426,083
Non-controlling interests	18	**114,802**	77,429
		770,220	503,512
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	17	**2.5 fils**	1.6 fils

* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended 31 December 2018 and reflect adjustments made as explained in Note 26.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	2019 *KD*	*(Restated)** *2018* *KD*
PROFIT FOR THE YEAR	**770,220**	503,512
Other comprehensive income (loss)		
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:		
Net gain (loss) on investments at FVOCI	**81,372**	(14,245)
Other comprehensive income (loss) for the year	**81,372**	(14,245)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**851,592**	489,267
Attributable to:		
Equity of holders of the Parent Company	**731,058**	408,203
Non-controlling interests	**120,534**	81,064
	851,592	489,267

* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended 31 December 2018 and reflect adjustments made as explained in Note 26.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Parent Company							
	Share capital KD	*Treasury shares KD*	*Treasury shares reserve KD*	*Fair value reserve KD*	*Accumulated losses KD*	*Total KD*	*Non-controlling interests KD*	*Total equity KD*
As at 1 January 2019 (Restated)	26,381,499	(1,212,906)	2,042,260	(46,103)	(12,008,637)	15,156,113	1,743,128	16,899,241
Profit for the year	-	-	-	-	655,418	655,418	114,802	770,220
Other comprehensive income for the year	-	-	-	75,640	-	75,640	5,732	81,372
Total comprehensive income for the year	-	-	-	75,640	655,418	731,058	120,534	851,592
Transfer of gain on disposal of investments at FVOCI	-	-	-	(40,630)	40,630	-	-	-
Sale of treasury shares	-	676,792	(465,953)	-	-	210,839	-	210,839
At 31 December 2019	**26,381,499**	**(536,114)**	**1,576,307**	**(11,093)**	**(11,312,589)**	**16,098,010**	**1,863,662**	**17,961,672**
As at 1 January 2018 (as previously reported)	26,381,499	(1,174,880)	2,042,260	858,731	(13,321,674)	14,785,936	1,662,064	16,448,000
Impact of adopting IFRS 9 (Restated)*	-	-	-	(911,782)	911,782	-	-	-
Restated opening balance under IFRS 9*	26,381,499	(1,174,880)	2,042,260	(53,051)	(12,409,892)	14,785,936	1,662,064	16,448,000
Profit for the year	-	-	-	-	426,083	426,083	77,429	503,512
Other comprehensive (loss) income for the year	-	-	-	(17,880)	-	(17,880)	3,635	(14,245)
Total comprehensive (loss) income for the year	-	-	-	(17,880)	426,083	408,203	81,064	489,267
Transfer of loss on disposal of investments at FVOCI	-	-	-	24,828	(24,828)	-	-	-
Employee share options lapsed and not exercised	-	(38,026)	-	-	-	(38,026)	-	(38,026)
At 31 December 2018 (Restated)*	26,381,499	(1,212,906)	2,042,260	(46,103)	(12,008,637)	15,156,113	1,743,128	16,899,241

* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended 31 December 2018 and reflect adjustments made as explained in Note 26.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	***2019*** ***KD***	*(Restated)** *2018* *KD*
OPERATING ACTIVITIES			
Profit before tax and after directors' remuneration		**797,911**	507,344
Adjustments to reconcile profit to net cash flows:			
Depreciation	9	**175,725**	164,274
Reversal of provision for loans and advances		**-**	(58)
Dividend income from investments at FVOCI		**(4,800)**	(29,594)
Finance income		**(66,086)**	(74,734)
Net gain on investments at FVTPL		**(783,824)**	(574,912)
Finance costs		**53,466**	93,980
		172,392	86,300
Changes in operating assets and liabilities:			
Investments at FVTPL		**25,474**	(994,601)
Other assets		**(149,159)**	164,802
Loans and advances		**-**	5,788
Accounts payable and other liabilities		**44,766**	(227,890)
Finance income received		**75,613**	69,920
Taxes paid		**(7,915)**	-
Net cash flows from (used in) operating activities		**161,171**	(895,681)
INVESTING ACTIVITIES			
Purchase of furniture and equipment	9	**(88,730)**	(23,437)
Proceeds from sale of investments at FVOCI		**323,826**	727,638
Dividend income received from investments at FVOCI		**4,800**	29,594
Net cash flows from investing activities		**239,896**	733,795
FINANCING ACTIVITIES			
Repayment of term loan		**(2,456,300)**	(606,862)
Finance costs paid		**(68,773)**	(101,583)
Proceeds from sale of treasury shares		**210,839**	-
Net cash flows used in financing activities		**(2,314,234)**	(708,445)
Net decrease in cash and cash equivalents		**(1,913,167)**	(870,331)
Cash and cash equivalents at 1 January		**4,019,859**	4,890,190
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4	**2,106,692**	4,019,859

* Certain numbers shown here do not correspond to the consolidated financial statements for the year ended 31 December 2018 and reflect adjustments made as explained in Note 26.

1. CORPORATE AND GROUP INFORMATION

1.1 CORPORATE INFORMATION

The consolidated financial statements of Kuwait and Middle East Financial Investment Company K.S.C.P. ("the Parent Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the board of directors on 31 March 2020, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting (AGM).

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

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

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

Effective from 12 September 2019, Ahli United Bank K.S.C.P. and Ahli United Bank B.S.C. (together referred to as "AUB Group") concluded the sale of its entire equity stake in the Parent Company to Al-Thekair General Trading & Contracting Company S.P.C. (referred to, therein as the "major shareholder" or "Ultimate Parent Company").

The registered office of the Parent Company is located at P.O. Box 819, Safat 13009, Kuwait City, Kuwait.

The shareholders of the Parent Company at the annual general assembly meeting ("AGM") held on 2 May 2019 approved the consolidated financial statements for the year ended 31 December 2018; The board of directors proposed no dividends for the year 2018 which was approved by AGM.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name	*Country of incorporation*	*% equity interest 2019*	*% equity interest 2018*	Principal activities
Al Awsat Aloula Holding Company K.S.C.C.*	Kuwait	**99.9%**	99.9%	Investment
Middle East Financial Brokerage Company K.S.C.C ("MEFBC")	Kuwait	**90.0%**	90.0%	Brokerage
Gulf Gate Fund ("the Fund")	Kuwait	**73.6%**	77.6%	Managed fund

* Residual interest in the subsidiary is held through nominees.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the regulations issued by the Central Bank of Kuwait ("CBK") for financial services institutions in the State of Kuwait. These regulations require the expected credit loss ("ECL") on credit facilities to be measured at the higher of the amount computed under IFRS 9 in accordance to the CBK guidelines or the provisions as required by CBK instructions; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait).

The consolidated financial statements have been prepared on a historical cost basis except for investment securities which have been measured at fair value.

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

The consolidated financial statements provide comparative information in respect of the previous period. The Group has not presented a third statement of financial position as at the beginning of the preceding period following the correction of error (Note 26), since the adjustment had no effect on that period.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 21.3.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 16 - *Leases*
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The adoption of IFRS 16 did not have a material impact on the Group's consolidated financial statements on the date of transition and 31 December 2019.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 - *Leases (continued)*

Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

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.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Other new or amended standards which are issued but not yet effective, are not relevant to the Group and have no impact on the accounting policies, financials position or performance of the Group.

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

2.4.4 Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.4 Financial instruments – initial recognition and subsequent measurement

i) Financial assets (continued)

c) Financial assets at fair value through profit or loss

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

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

Derecognition

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

i) Impairment of financial assets other than credit facilities

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

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

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

ii) Impairment of credit facilities

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

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

ii) Financial liabilities

Initial recognition and measurement
The Group's financial liabilities include accounts payables and other liabilities and term loan.

All financial liabilities are recognised initially at fair value and, in the case of term loan and other payables, net of directly attributable transaction costs.

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including term loan)

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

Financial liabilities at amortised cost

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

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

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.5 Intangible assets

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

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

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

2.4.6 Furniture and equipment

Furniture and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the furniture and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated using the straight–line method to write down the cost of furniture and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The estimated useful lives are, as follows:

▸ Furniture and equipment	4 - 5	years
▸ Computers	4	years
▸ Software	7 - 10	years

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

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

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

2.4.7 Impairment of non-financials assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.7 Impairment of non-financials assets (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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

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

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

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

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.10 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-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 reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.4.11 Taxes

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

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

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

2.4.12 Revenue recognition

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.12 Revenue recognition (continued)
The Group's fee and commission income from services where performance obligations are satisfied over time include the following:

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

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

Corporate finance fees
The Group provides financial and transaction advisory services. The fees earned in exchange for these services are recognised at the point in time the transaction is completed because the customer only receives the benefits of the Group's performance upon successful completion of the underlying transaction. The Group is only entitled
to the fee on the completion of the transaction.

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

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

2.4.15 Leases accounting policies applied from 1 January 2019

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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.15 Leases accounting policies applied from 1 January 2019 (continued)

Lease liabilities (continued)
In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.4.16 Leases accounting policies applied up to 31 December 2018
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

2.4.17 Fiduciary assets
The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in a fiduciary capacity, unless recognition criteria are met, are not reported in the consolidated financial statements, as they are not assets of the Group.

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

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

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

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.1 Significant judgments (continued)

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.

Structured entities
The Group uses judgment in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Group identifies such entities as structured entities. After determining whether an entity is a structured entity, the Parent Company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Parent Company has determined that it does not have any such structured entities that requires consolidation.

The management has determined that the Investment Funds managed by the Parent Company on fiduciary basis are not structured entities considering voting and similar right available to the unit holders of the Investment Fund. The Parent Company's interest in these Investment Funds (if any) is classified as financial assets at fair value through profit or loss.

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

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

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

3.2 Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2 Estimates and assumptions (continued)

Impairment of intangible assets with indefinite useful lives
The Group tests whether an intangible asset with an indefinite useful live (brokerage licence) has suffered any impairment on an annual basis. For the 2019 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates (Note 8). These growth rates are consistent with forecasts specific to the industry in which each CGU operates.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4. CASH AND SHORT-TERM DEPOSTIS

	2019	*2018*
	KD	*KD*
Cash in hand	**1,750**	1,750
Cash at banks	**1,129,942**	1,249,109
Short-term deposits maturing within three months	**975,000**	2,769,000
Cash and cash equivalents in consolidated statement of cash flows	**2,106,692**	4,019,859
Term deposit with original maturity period exceeding 3 months	**55,000**	55,000
Cash and short-term deposits as per consolidated statement of financial position	**2,161,692**	4,074,859

Cash and cash equivalents disclosed above include restricted bank balances of KD 462,570 (2018: KD 428,369) not available for use for day-to-day operations.

Term deposits represent placements with local banks with a maturity of more than three months from the date of placement, and earn interest at an average effective interest rate ranging from 1.75% to 3.1% (2018: 1.75% to 2.95%) per annum.

5. OTHER ASSETS

	2019	*2018*
	KD	*KD*
Management fees receivable	**412,750**	335,095
Commission income receivables	**140,040**	122,334
Prepayments	**160,816**	109,923
Others	**73,603**	80,225
	787,209	647,577

Other assets do not contain impaired assets.

6. LOANS AND ADVANCES

Loans and advances include a loan granted to a customer amounting to KD 7,500,000 (2018: KD 7,500,000) in lieu of a wakala investment backed up by a debt admission authenticated by the Ministry of Justice - Department of Authentication and registered under no. 3427/2011 (Volume 6); and for which an enforcement action has commenced under no. 14179653. No recoveries from collections were made due to the significant financial difficulties encountered by the debtor. Accordingly, the debt is considered credit impaired and has been fully provided for.

7. INVESTMENT SECURITIES

	2019 *KD*	*2018* *KD* *(Restated)*
Investments at FVTPL		
Quoted equity securities	**2,726,669**	2,405,994
Funds	**5,271,289**	5,452,309
	7,997,958	7,858,303
Investments at FVOCI		
Quoted equity securities	**127,260**	393,691
Unquoted equity securities	**184,946**	160,969
	312,206	554,660
	8,310,164	8,412,963

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 22. Net gain on investments at FVTPL presented in the consolidated statement of profit or loss includes a realised gain of KD 325,667 (2018: KD 173,760) and dividend income is presented separately.

8. INTANGIBLE ASSET

Intangible asset represents a brokerage license in Kuwait acquired for KD 12,500,000 stated net of impairment loss of KD 3,900,000 (2018: KD 3,900,000). The brokerage license is determined to have an indefinite useful life.

The Group performed its annual impairment test in December 2019 and 2018.

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

As a result of the analysis, the recoverable amount of the CGU based on value in use as at 31 December 2019 exceeded the carrying value by 4%. Accordingly, management did not identify an impairment loss during the year ended 31 December 2019.

8. INTANGIBLE ASSET (continued)

2018: The Group had used the implied fair value less cost to sell of the brokerage license as of 31 December 2018.

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

- Discount rate
- Market share during the forecast period
- Long-term growth rate (terminal value) used to extrapolate cash flows beyond the forecast period

Sensitivity to changes in assumptions

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

- A rise in the discount rate by to 10.2% (i.e. +0.5%) would result in an impairment.
- A reduction in the long-term growth rate to 2.5% (i.e. -0.5%) would result in an impairment.

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

9. FURNITURE AND EQUIPMENT

	Furniture and equipment KD	*Computers KD*	*Software KD*	*Capital work in progress KD*	*Total KD*
Cost					
At 1 January 2018	1,566,649	1,288,563	2,011,822	48,187	4,915,221
Additions	4,885	40,545	17,724	-	63,154
Transfers	-	4,765	8,840	(13,605)	-
Disposals	(1,785)	(260,491)	-	-	(262,276)
At 31 December 2018	1,569,749	1,073,382	2,038,386	34,582	4,716,099
Additions	6,657	26,904	57,182	3,093	93,836
Transfer	-	4,280	-	(4,280)	-
Disposals	(5,653)	(16,570)	-	-	(22,223)
At 31 December 2019	**1,570,753**	**1,087,996**	**2,095,568**	**33,395**	**4,787,712**
Accumulated depreciation					
At 1 January 2018	1,532,878	1,286,483	1,560,381	24,701	4,404,443
Depreciation	13,609	5,715	144,950	-	164,274
Disposals	(1,778)	(260,423)	-	-	(262,201)
At 31 December 2018	1,544,709	1,031,775	1,705,331	24,701	4,306,516
Depreciation	12,070	16,285	147,370	-	175,725
Disposals	(5,651)	(11,466)	-	-	(17,117)
At 31 December 2019	**1,551,128**	**1,036,594**	**1,852,701**	**24,701**	**4,465,124**
Net book value					
At 31 December 2019	**19,625**	**51,402**	**242,867**	**8,694**	**322,588**
At 31 December 2018	25,040	41,607	333,055	9,881	409,583

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2019	*2018*
	KD	*KD*
Provision for employees' end of service benefits	**1,163,983**	1,092,735
Other staff payables	**204,270**	115,310
Finance cost payable	**-**	15,307
Other payables	**851,728**	1,566,089
	2,219,981	2,789,441

11. TERM LOAN

During the current year, the Parent Company has fully settled the principal amount of the term loan, and the finance costs payable up to the date of settlement.

12. SHARE CAPITAL

	Number of shares		*Authorised, issued and fully paid*	
	2019	*2018*	***2019***	*2018*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**263,814,991**	263,814,991	**26,381,499**	26,381,499

The issued and fully paid up share capital includes 15,837,638 shares amounting to KD 1,583,764 (2018: 15,837,638 shares amounting to KD 1,583,764) issued on account of share option plan for employees.

13. TREASURY SHARES AND TREASURY SHARES RESERVE

	2019	*2018*
Number of shares	**2,000,000**	4,524,810
Percentage of issued shares	**0.8%**	1.7%
Cost ("KD")	**536,114**	1,212,906
Market value ("KD")	**177,000**	144,794
Weighted average market value per share (fils)	**57.80**	24.7

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

14. STATUTORY RESERVE

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of Parent Company before tax and directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's board of directors. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital. No transfer has been made to the reserve during the year due to accumulated losses.

15. VOLUNTARY RESERVE

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

16. GENERAL AND ADMINISTRATIVE EXPENSES

	2019	*2018*
	KD	*KD*
Staff costs	**1,819,700**	1,644,611
Depreciation	**175,726**	164,274
	1,995,426	1,808,885

17. EARNINGS PER SHARE (EPS)

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

	2019	*2018*
Profit for the year attributable to equity holders of the Parent Company (KD)	**655,418**	426,083
Weighted average number of issued and paid up shares	**263,814,991**	263,814,991
Less: Weighted average number of treasury shares	**(4,324,209)**	(3,597,596)
Weighted average number of shares outstanding (shares) *	**259,490,782**	260,217,395
Basic and diluted EPS (fils)	**2.5**	1.6

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

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

18. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation	*2019*	*2018*
MEFBC	Kuwait	**10.0%**	10.0%
Gulf Gate Fund	Kuwait	**26.3%**	22.4%

	2019 *KD*	*2018* *KD*
Accumulated balances of material non-controlling interest:		
MEFBC	**1,264,182**	1,215,431
Gulf Gate Fund	**599,480**	527,697

	2019 *KD*	*2018* *KD*
Profit (loss) allocated to material non-controlling interest:		
MEFBC	**43,019**	11,180
Gulf Gate Fund	**71,783**	66,249

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

Summarised statement of comprehensive income	*MEFBC*		*Gulf Gate Fund*	
	2019 *KD*	*2018* *KD*	*2019* *KD*	*2018* *KD*
Revenue	**990,414**	597,316	**368,802**	359,269
Expenses	**(560,225)**	(485,514)	**(62,536)**	(62,972)
Profit for the year	**430,189**	111,802	**306,266**	296,297
Other comprehensive income	**57,313**	36,343	**-**	-
Total comprehensive income	**487,502**	148,145	**306,266**	296,297

Summarised statement of financial position	*MEFBC*		*Gulf Gate Fund*	
	2019 *KD*	*2018* *KD*	*2019* *KD*	*2018* *KD*
Total Assets	**13,097,062**	12,583,479	**2,295,314**	2,382,298
Total Liabilities	**330,768**	304,688	**20,045**	22,094
Total Equity	**12,766,294**	12,278,791	**2,275,269**	2,360,204
Attributable to:				
Equity holders of the Parent Company	**11,502,113**	11,063,360	**1,675,789**	1,832,507
Non-controlling interests	**1,264,181**	1,215,431	**599,480**	527,697

18. MATERIAL PARTLY-OWNED SUBSIDIARIES (continued)

Summarised statement of cash flows	***MEFBC***		***The Fund***	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*
Cash flows from (used in) operating activities	**453,413**	(1,155,497)	**115,674**	308,363
Cash flows from investing activities	**330,314**	766,284	**-**	-
Cash flows used in financing activities	**-**	-	**(391,200)**	-
Net increase / (decrease) in cash and cash equivalents	**783,727**	(389,213)	**(275,526)**	308,363

19. FIDUCIARY ASSETS

The Group manages investment portfolios and funds on behalf of clients and provides online trading securities. The total value of these assets at 31 December 2019 amounted to KD 366 million (2018: KD 309 million) which are not reflected in the consolidated financial statements.

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

Management fee of KD 1,490,237 (2018: KD 1,521,210) and commission income of KD 545,371 (2018: KD 462,832) has been recognised by the Parent Company for management of fiduciary assets.

20. RELATED PARTY DISCLOSURES

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

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

	2019 KD	*2018 KD*
Consolidated statement of financial position		
Investments in funds managed by the Parent Company	**4,090,890**	3,905,573
Cash and short-term deposits *	**-**	3,581,210
Investments *	**-**	553,377
Other payables*	**-**	(409)
Term loan (Note 11)*	**-**	(2,456,300)
Consolidated statement of profit or loss		
Unrealised gain from funds managed by the Parent Company	**258,651**	114,575
General and administrative expenses	**(7,215)**	-
Management fees *	**9,132**	10,638
Commission income*	**37,595**	57,132
Finance income *	**57,651**	73,059
Gain from sale of investments*	**78,797**	(9,313)
Finance costs on term loan *	**(53,466)**	(93,980)

* These represents aggregate value of transactions and outstanding balances with AUB Group up to 12 September 2019 (Note 1) (2018: up to 31 December 2018).

20. RELATED PARTY DISCLOSURES (continued)

Transactions with key management personnel
Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows.

Compensation of key management personnel of the Group	***2019*** ***KD***	*2018* *KD*
Salaries and other short-term benefits	**486,147**	448,483
End of service benefits	**20,367**	37,596
	506,514	486,079

21. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

21.1 Market risk

Market risk is the risk that the fair value or future cash flows of financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include cash and short-term deposits and investment securities.

a) Interest rate risk

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Further, the Group's policy is to manage its interest cost by availing competitive credit facilities from local financial institutions and constantly monitoring interest rate fluctuations.

Interest rate sensitivity
A reasonably possible change of 25 basis points in interest rates at the reporting date would have resulted in a change in profit for the year by KD 2,575 (2018: KD 919). This analysis assumes that all other variables, remain constant.

b) Foreign currency risk

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

21. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Market risk (continued)

b) Foreign currency risk (continued)

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

Currency	*2019* *KD*	*2018* *KD*
US Dollar (USD)	**119,585**	72,461
GCC currencies	**179,279**	453,768
Other currencies	**5,637**	665

Foreign exchange rate sensitivity

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

		2019	*2018*
Currency	***Change in exchange rate***	***Effect on profit KD***	*Effect on profit KD*
US Dollar (USD)	**5%**	**(5,494)**	(3,138)
GCC currencies	**5%**	**(8,964)**	(22,688)
Other currencies	**5%**	**(282)**	(33)

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

c) Equity price risk

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

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

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

21. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.1 Market risk (continued)

c) Equity price risk (continued)

Market indices	*% change*	*Effect on profit*	*Effect on equity*	*Total*
		KD	*KD*	*KD*
2019				
Boursa Kuwait	± 5	± 171,328	± 6,236	**± 177,563**
GCC markets	± 5	± 96,387	-	**± 96,387**
2018				
Boursa Kuwait	± 5	± 122,493	± 18,617	± 141,110
GCC markets	± 5	± 78,283	-	± 78,283

21.2 Credit risk

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

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

	2019	*2018*
	KD	*KD*
Cash and short-term deposits (excluding cash on hand)	**2,159,942**	4,073,109
Other assets (excluding prepayments)	**626,393**	537,654
	2,786,335	4,610,763

Cash and short-term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

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

Loans and advances

As at 31 December 2019, loans and advances exposed to credit risk of KD 7,500,000 (2018: KD 7,500,000) were fully impaired (Note 6).

21. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.2 Credit risk (continued)

Concentration of financial assets
The distribution of financial assets by geographic region for 2019 and 2018 is as follows:

	Kuwait	*Other Middle East*	*Rest of the world*	*Total*
	KD	*KD*	*KD*	*KD*
2019				
Cash and short-term deposits (excluding cash on hand)	**1,997,678**	**161,851**	**413**	**2,159,942**
Other assets (excluding prepayments)	**581,158**	**21,229**	**24,006**	**626,393**
	2,578,836	**183,080**	**24,419**	**2,786,335**
2018				
Cash and short-term deposits (excluding cash on hand)	3,643,543	429,568	-	4,073,111
Other assets (excluding prepayments)	530,265	7,387	-	537,652
	4,173,808	436,955	-	4,610,763

Concentration of maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of lending activities, to avoid undue concentrations of risks with individuals or groups of customers in specific industries or business. It also obtains security when appropriate. All the loans are granted after assessing the credit quality of customers and taking into account their portfolio position, in case of margin loans, and in case of commercial loans the collateral which will be the shares traded on Stock Exchanges. All these collaterals are constantly monitored by the respective departments.

The Group's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the geographical regions and industry sectors as follows:

	Assets		*Contingent liabilities*	
	2019	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*
Geographic region:				
Kuwait	**2,578,836**	4,173,808	**-**	50,000
Other Middle East*	**183,080**	436,955	**-**	-
Rest of the world	**24,419**	-	**-**	-
	2,786,335	4,610,763	**-**	50,000

*Other Middle East countries includes GCC countries excluding Kuwait.

21. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.2 Credit risk (continued)

Concentration of maximum exposure to credit risk (continued)

	Assets		*Contingent liabilities*	
	2019	*2018*	***2019***	*2018*
Industry sector:				
Banks and financial institutions	**2,714,112**	4,577,786	-	50,000
Other	**72,223**	32,977	-	-
	2,786,335	4,610,763	-	50,000

The maximum credit exposure to any single client or counterparty was KD 1,934,265 (2018: KD 3,580,566) before taking account of collateral or other credit enhancements.

21.3 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The Group also has lines of credit that it can access to meet liquidity needs.

21. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

21.3 Liquidity risk

The table below summarises the maturity profile of the Group's assets and liabilities as at 31 December. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for investments, other assets, intangible assets and equipment is based on management's estimate of liquidation of these financial assets. The value of undiscounted financial liabilities is not materially different from the amount of financial liabilities as the report date in the consolidated statement of financial position.

	2019				*2018*			
	Less than 3 months KD	***3 - 12 months KD***	***Over 1 year KD***	***Total KD***	*Less than 3 months KD*	*3 - 12 months KD*	*Over 1 year KD*	*Total KD*
Financial assets								
Cash and short-term deposits	**2,106,692**	**55,000**	**-**	**2,161,692**	4,019,859	55,000	-	4,074,859
Other assets	**593,059**	**155,455**	**38,695**	**787,209**	530,369	102,923	14,285	647,577
Investment securities	**5,343,008**	**-**	**2,967,156**	**8,310,164**	4,513,682	-	3,899,281	8,412,963
Intangible asset	**-**	**-**	**8,600,000**	**8,600,000**	-	-	8,600,000	8,600,000
Furniture and equipment	**-**	**-**	**322,588**	**322,588**	-	-	409,583	409,583
	8,042,759	**210,455**	**11,928,439**	**20,181,653**	9,063,910	157,923	12,923,149	22,144,982
Financial liabilities								
Accounts payable and other liabilities	**198,523**	**307,767**	**1,713,691**	**2,219,981**	204,884	248,112	2,336,445	2,789,441
Term loan	**-**	**-**	**-**	**-**	2,456,300	-	-	2,456,300
	198,523	**307,767**	**1,713,691**	**2,219,981**	2,661,184	248,112	2,336,445	5,245,741
NET LIQUIDITY GAP	**7,844,236**	**(97,312)**	**10,214,748**	**17,961,672**	6,402,726	(90,189)	10,586,704	16,899,241

22. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as unquoted equity investments.

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

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

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

22. FAIR VALUE MEASUREMENT (continued)

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

Listed investment in equity securities
Fair values of publicly traded equity securities are based on quoted bid prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unquoted equity investments
The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities. The Group classifies the fair value of these investments as Level 3.

Funds
The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these investee funds may be used as an input into measuring their fair value. The Group classifies these funds as either Level 2 or Level 3.

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

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

22. FAIR VALUE MEASUREMENT (continued)

	Fair value measurement using (Restated)			
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
2018 (Restated)	*KD*	*KD*	*KD*	*KD*
Financial assets at FVTPL:				
Quoted equity securities	2,405,994	-	-	2,405,994
Funds	-	1,977,778	3,474,531	5,452,309
	2,405,994	1,977,778	3,474,531	7,858,303
Financial assets at FVOCI				
Quoted equity securities	393,691	-	-	393,691
Unquoted equity securities	-	-	160,969	160,969
	393,691	-	160,969	554,660
Investment securities (at fair value)	2,799,685	1,977,778	3,635,500	8,412,963

There were no transfers between any levels of the fair value hierarchy during 2019 or 2018.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

	2019		*2018*	
	FVTPL	***FVOCI***	*(Restated) FVTPL*	*(Restated) FVOCI*
	KD	***KD***	*KD*	*KD*
As at 1 January	**3,474,531**	**160,969**	3,649,971	211,556
Net realised gain recognized in consolidated statement of changes in equity/profit or loss	-	**1,680**	72,307	-
Proceeds from sale of investments	**(63,372)**	**(1,680)**	(395,740)	-
Change in fair value	**(666,139)**	**23,977**	147,993	(50,587)
As at 31 December	**2,745,020**	**184,946**	3,474,531	160,969

Description of significant unobservable inputs to valuation of financial assets:

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

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

23. CAPITAL MANAGEMENT

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

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

The capital structure of the Group consists of total equity is measured at KD 17,961,672 (2018: KD 16,899,241).

The Group monitors capital on the basis of the regulatory requirements of Companies Law No.1 of 2016 and CMA minimum capital requirements for investment companies. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

24. COMMITMENTS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

	2019 ***KD***	*2018* *KD*
Commitments		
Uncalled capital contributions relating to investments at FVTPL	**41,131**	48,445
Contingent liabilities		
Bank guarantee	-	50,000

24.1 Bank guarantee

Guarantee issued by the Group noted above exclude the corporate guarantee provided to an entity of KD 46.22 million (2018: KD 46.25 million) since this guarantee is backed by an irrevocable counter corporate guarantee of an equal amount issued in favour of the Group by a sovereign authority in Kuwait. The Parent Company is a shareholder in this entity, which is incorporated in Kingdom of Bahrain, in a fiduciary capacity. This entity is neither consolidated nor equity accounted for as this entity represents a structured entity and the Parent Company has no control, joint control or significant influence over the entity.

24.2 Legal claim contingency

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

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

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

24.3 Contingent asset

The Parent Company owns a real estate property by virtue of the title deed dated 7 May 2009. However, the repossessed property has not been recorded as an asset on the Group's consolidated financial position due to the ongoing litigation with the customer. A favourable judgment from the First Instance Court was handed down on 19 January 2020 evidencing the ownership of the property. The matter is currently being considered by the Court of Appeal.

The management believes that a favorable outcome is probable but not virtually certain. As a result, the contingent asset has not been recognised as at 31 December 2019.

25. SEGMENT INFORMATION (continued)

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

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

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

The following tables present revenue and profit information for the Group's operating segments for the year ended 31 December 2019 and 2018, respectively:

2019	*Asset management KD*	*Brokerage & online trading KD*	*Credit operations KD*	*Investment & treasury KD*	*Total KD*
Segment income	**1,942,440**	**1,233,701**	**-**	**544,631**	**3,720,772**
Segment expenses	**(882,574)**	**(1,055,864)**	**(60,779)**	**(951,335)**	**(2,950,552)**
Segment results	**1,059,866**	**177,837**	**(60,779)**	**(406,704)**	**770,220**
2018					
Segment income	1,888,557	860,425	-	455,858	3,204,840
Segment expenses	(772,347)	(1,013,315)	(103,672)	(811,994)	(2,701,328)
Segment results	1,116,210	(152,890)	(103,672)	(356,136)	503,512

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2019 and 31 December 2018, respectively:

	Asset management KD	*Brokerage & online trading KD*	*Credit operations KD*	*Investment & treasury KD*	*Total KD*
ASSETS					
2019	**2,782,520**	**8,961,640**	**-**	**8,437,493**	**20,181,653**
2018	2,809,919	9,007,600	-	10,327,463	22,144,982
LIABILITIES					
2019	**390,427**	**450,034**	**13,049**	**1,366,471**	**2,219,981**
2018	362,356	400,819	2,481,621	2,000,945	5,245,741

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

26. RETROSPECTIVE RESTATEMENT

At 1 January 2018, the date of initial application of IFRS 9 '*Financial Instruments*', the Group has erroneously made an irrevocable election to designate certain puttable instruments (investment funds) that do not meet the definition of an equity instrument nor the SPPI (solely payments of principal and interest) criterion for fair value through other comprehensive income (FVOCI) and presented subsequent changes in fair value in other comprehensive income. According to IFRS 9, such investments would not normally qualify for the FVOCI option and must be accounted for at FVTPL.

The correction of the above error has been accounted for retrospectively from the date of initial application of IFRS 9 in accordance with International Accounting Standard 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*'. Accordingly, the respective comparative amounts have been restated to reflect the transitional provisions of IFRS 9.

The following adjustments have been made to the comparative consolidated financial statements:

	As previously reported	*Restatement*	*After restatement*
	KD	*KD*	*KD*
Consolidated statement of financial position			
Investments at FVTPL	4,513,682	3,344,621	7,858,303
Investments at FVOCI	3,899,281	(3,344,621)	554,660
Fair value reserve	939,509	(985,612)	(46,103)
Accumulated losses	(12,994,249)	985,612	(12,008,637)
Consolidated statement of profit or loss			
Net gain on investment at FVTPL	340,693	234,219	574,912
Basic and diluted earnings per share attributable to equity holders of the parent company – fils	0.7	0.9	1.6
Consolidated statement of comprehensive income			
Net gain (loss) on investments at FVOCI	219,974	(234,219)	(14,245)
Consolidated statement of cash flows			
Net cash flows used in operating activities	(1,273,143)	377,462	(895,681)
Net cash flows from investing activities	1,111,257	(377,462)	733,795

27. SUBSEQUENT EVENT

As at the authorisation date of these consolidated financial statements, the Group's investment securities reduced in the range of 5% to 29% from the reporting date, mainly due to deterioration in financial markets as a result of the current outbreak of the coronavirus (COVID-19). Given that changes in fair values of investment securities held are strongly positively correlated with changes of the GCC market indices, management's best estimate of the effect on profit or loss, with all other variables held constant, is approximately KD 1.2 million.

Notwithstanding the above, the rapid deterioration in economic markets and the increase in uncertainty in the macroeconomic and business outlook have triggered a sharp fall in stock markets, trade volumes, fluctuations in foreign exchange rates and commodity prices. As a result, the likelihood that a triggering event has occurred subsequent to the reporting date and therefore that an impairment test is required has increased significantly for intangible assets that are required to be tested for impairment annually. The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position. Given the ongoing economic uncertainty, a reliable estimate of the full impact cannot be made at the date of authorisation of these financial statements.