

Consolidated financial statements and independent auditor's report

Noor Financial Investment Company – KPSC and Subsidiaries

Kuwait

31 December 2019

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Independent Auditor's Report

To the Shareholders of
Noor Financial Investment Company – KPSC
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Noor Financial Investment Company – Kuwaiti Public Shareholding Company (the “Parent Company”) and 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 profit or loss and other 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 Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as the key audit matters.

Valuation of investments held at fair value

The Group invests in various assets classes, of which 26% of the total assets represent investments which are carried at fair value and classified either as investments at fair value through profit or loss or as investments at fair value through other comprehensive income. The investments are fair valued on a basis considered most appropriate by the management, depending on the nature of the investment, and the valuation is performed by the Group using a fair value hierarchy as detailed in note 30.3. 72% of these investments are carried at fair value based on Level 1 valuations, and the balance 28% of these investments are carried at fair value either based on Level 2 or Level 3 valuations. Fair value measurement can be a subjective area and more so for the investments classified under level 2 and level 3 since these are valued using inputs other than quoted prices in an active market. Given the inherent subjectivity in valuation of investments classified under level 2 and level 3 we determined this to be a key audit matter. Refer to Note 5.15.3, 5.15.8, 15, 17 and 30.2 for more information on fair valuation of investments at fair value through other comprehensive income and investments at fair value through statement of profit or loss.

Independent auditor's report to the shareholders of Noor Financial Investment Company – KPSC (continued)

Key Audit Matters (continued)

Valuation of investments held at fair value (continued)

Our audit procedures included, among others, documenting and assessing the processes in place to fair value the investment portfolio. Agreeing the carrying value of the investments to the Group's internal or external valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtaining supporting documentation and explanations to corroborate the valuations.

Investment Property valuations

The Group's investment properties represent 13% of the total assets and comprise of land and rental buildings located in Kuwait, other Middle East countries and United Kingdom. The Group's policy is that property valuations are performed at year end by external valuers, as detailed in note 30.4. These valuations are based on number of assumptions, including estimated rental revenues, capitalization yields, historical transactions, market knowledge, occupancy rates and cost of construction. Given the fact that the fair value of the investment properties represents a significant judgment area and the valuations are highly dependent on estimates we determined this to be a key audit matter. Refer to Note 19 and 30.4 for more information on the valuation of the Investment Properties.

Our audit procedures included, among others, assessing the appropriateness of management's process for reviewing and assessing the work of the external valuers and their valuations including management's consideration of competence and independence of the external valuers. We reviewed the valuation reports from the external valuers and agreed them to the carrying value of the properties. We assessed the appropriateness of the valuation methodologies used in assessing the fair value of the investment properties including discussions with the management on the estimates, assumptions and valuation methodology used in assessing the fair value of investment properties.

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 the Annual Report of the Group for the year ended 31 December 2019 other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditors' report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2019 after the date of our auditors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of 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.

Independent auditor's report to the shareholders of Noor Financial Investment Company – KPSC (continued)

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

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.

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

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

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

Independent auditor's report to the shareholders of Noor Financial Investment Company – KPSC (continued)

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

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.

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 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business or financial position of the Parent Company.

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 or financial position of the Parent Company.



Anwar Y. Al-Qatami, F.C.C.A.
(Licence No. 50-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
5 March 2020

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 (Restated) KD
Continuing operations			
Revenue from hotel operations and IT Services		13,389,851	14,573,252
Realised gain on investments at fair value through profit or loss		1,870,232	1,291,824
Unrealised gain on investments at fair value through profit or loss	10.2	1,713,417	568,518
Dividend income		1,145,524	1,497,125
Change in fair value of investment properties	10	(1,150,305)	(480,373)
Rental income		858,897	833,497
Share of results of associates	16	10,769,182	8,649,755
Realised gain on partial disposal of an associate	16	1,578,423	4,100,344
Management fees		10,810	18,689
Total income		28,991,030	30,710,367
Cost of sales and services from hotel operations and IT services	8	(10,557,784)	(11,451,728)
General administrative and other expenses	8	(5,783,342)	(5,583,517)
Operating profit		13,649,904	13,690,202
Interest and other income	9	1,161,323	1,437,217
Foreign exchange loss		(891,600)	(23,716)
Finance costs	8	(1,810,452)	(2,775,876)
Impairment in value of intangible assets	20	(945,000)	(1,166,180)
Impairment in value of accounts receivable		-	(813,700)
Impairment in value of property and equipment	6	(530,144)	-
Profit from continuing operations		10,624,031	24,697,796
Discontinued operations			
(Loss)/profit from discontinued operations	7	(1,486,681)	25,610
Profit before KPA5, Zakat, NLST and directors' remuneration		9,137,350	24,723,406
KPA5, Zakat and NLST	11	(127,340)	(70,654)
Directors remuneration	27	(126,000)	(122,600)
Profit for the year		8,920,002	23,797,781
Attributable to:			
Owners of the Parent Company		8,077,234	24,834,305
Non controlling interests		842,768	(1,036,525)
		8,920,002	23,797,781
Basic and diluted earnings/(loss) per share attributable to the owners of the Parent Company (File)			
- From continuing operations	12	23.89	61.91
- From discontinued operations		(3.65)	0.05
		20.24	61.97

The notes set out on pages 12 to 73 form an integral part of these consolidated financial statements.

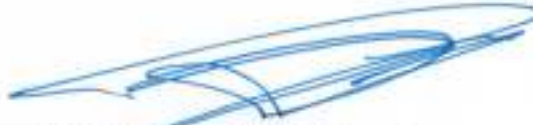
Consolidated statement of profit or loss and other comprehensive income


	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Profit for the year	8,920,002	23,797,761
Other comprehensive income:		
<i>Items to be reclassified to profit or loss in subsequent periods:</i>		
- Exchange differences arising from translation of foreign operations	(3,727,660)	(1,545,576)
- Transfer to consolidated statement of profit or loss on partial disposal of associate	1,945,777	4,515,238
Share of other comprehensive income/(loss) of associates		
- Changes in fair value	6,280,837	(371,175)
<i>Other comprehensive income / (loss) to be reclassified to profit or loss in subsequent periods</i>	4,109,945	(7,406,121)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		
- Remeasurement of defined benefit plan of a foreign associate	(59,730)	-
- Net changes in fair value arising during the year for equity investments classified as FVOCI	(122,120)	(9,106,461)
<i>Other comprehensive loss not being reclassified to profit or loss in subsequent periods</i>	(181,850)	(9,106,461)
Other comprehensive income/(loss) for the year	3,928,095	(13,601,572)
Total comprehensive income for the year	12,848,097	10,196,200
Total comprehensive income/(loss) attributable to:		
Owners of the Parent Company	12,245,600	12,936,267
Non-controlling interests	602,497	(2,739,849)
	12,848,097	10,196,200

The notes set out on pages 12 to 73 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2019 KD	31 Dec. 2018 KD
Assets			
Cash and bank balances	13	2,580,478	5,280,522
Short term deposits	13	5,628,943	4,860,325
Wakala and sukuk investments	14	1,000,000	1,152,965
Investments at fair value through profit or loss	15	11,704,245	11,711,928
Accounts receivable and other assets	16	4,445,898	9,913,301
Inventories		527,240	509,965
Investments at fair value through other comprehensive income	17	16,168,068	15,880,587
Investment in associates	18	46,722,338	44,053,153
Investment properties	19	13,895,210	31,738,975
Property and equipment		1,960,898	2,814,084
Right of use assets		1,432,738	-
Goodwill and other intangible assets	20	2,164,019	3,392,778
Total assets		108,230,075	131,308,583
Liabilities and Equity			
Liabilities			
Due to banks	13	408,598	716,862
Accounts payable and other liabilities	21	8,157,560	10,949,861
Borrowings	22	27,352,021	49,109,077
Provision for end of service indemnity		1,058,101	936,744
Total liabilities		36,976,280	61,712,544
Equity			
Share capital	23	41,316,276	41,316,276
Share premium	23	3,410,573	3,410,573
Treasury shares	24	(4,138,316)	(3,535,116)
Legal reserve	25	5,466,869	4,634,411
Voluntary reserve	25	5,466,869	4,634,411
Cumulative changes in fair value	26	1,416,153	(4,992,835)
Foreign currency translation reserve	26	(23,090,067)	(20,909,175)
Retained earnings		34,769,670	30,417,331
Equity attributable to the owners of the Parent Company		64,618,027	54,975,876
Non-controlling interests	26	6,635,768	14,620,163
Total equity		71,253,795	69,596,039
Total liabilities and equity		108,230,075	131,308,583


 Fahad Sulaiman Al-Khaled
 Chairman


 Abdulghani M.S. Behbhani
 Vice Chairman

The notes set out on pages 12 to 73 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company										Total Equity
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Cumulative changes in fair value	Foreign currency translation reserve	Retained earnings	Sub-total	Non-controlling interests	
	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD	KD
Balance as at 1 January 2019	41,316,576	3,410,573	(3,535,716)	4,634,477	4,634,477	(4,992,036)	(20,939,175)	20,417,331	54,876,176	14,623,163	69,500,039
Decrease in non-controlling interest due to disposal of subsidiary (note 7)	-	-	-	-	-	-	-	-	-	(8,479,134)	(8,479,134)
Redemption of Share capital by non-controlling interest	-	-	(503,200)	-	-	-	-	-	(603,200)	176,431	(426,769)
Purchase of Treasury Shares	-	-	-	-	-	-	-	(2,000,249)	(2,000,249)	(46,635)	(2,046,884)
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	-	(19,851)	(19,851)
Dividend paid during the period (note 27)	-	-	-	-	-	-	-	-	-	-	-
Other changes in non-controlling interest of subsidiary	-	-	-	-	-	-	-	-	-	(8,566,852)	(8,566,852)
Transactions with owners:			(603,200)					(2,000,249)	(2,603,449)		(2,603,449)
Profit for the year	-	-	-	-	-	-	-	9,077,234	9,077,234	642,768	9,720,002
Other comprehensive income/(loss) for the year	-	-	-	-	-	6,402,968	(2,180,852)	(58,700)	4,169,266	(240,271)	3,928,995
Total comprehensive income/(loss) for the year	-	-	-	-	-	6,402,968	(2,180,852)	8,998,534	12,246,500	802,497	13,048,997
Transfer to reserves	-	-	-	632,458	832,458	-	-	(1,464,916)	-	-	-
Balance as at 31 December 2019	41,316,576	3,410,573	(4,038,916)	5,266,935	5,466,935	1,412,133	(23,080,027)	24,759,670	64,872,027	9,639,700	74,511,727

The notes set out of pages 12 to 23 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company										Total Equity
	Share capital KD	Share premium KD	Treasury shares KD	Legal reserve KD	Voluntary reserve KD	Cumulative changes in fair value KD	Foreign currency translation reserve KD	Retained earnings KD	Sub-ordinary KD	Non-controlling interests KD	
Balance as at 1 January 2018	41,315,276	3,410,573	(3,410,573)	2,050,397	2,158,307	3,898,938	(15,373,253)	7,357,526	42,734,985	9,995,772	59,482,159
Adjustments arising from adoption of IFRS 9 on 1 Jan 2018	-	-	-	-	-	(4,543,420)	-	4,104,282	1441,348	1221,257	(322,809)
Balance as at 1 January 2019 Restated	41,315,276	3,410,573	(3,410,573)	2,050,397	2,158,307	1757,137	(13,573,253)	11,722,015	47,865,037	19,764,519	61,750,553
Amount due to non-controlling interest on reduction of share capital	-	-	-	-	-	-	-	-	-	(1,038,008)	(1,038,008)
Decrease in non-controlling interest, due to acquisition of shares in a subsidiary	-	-	-	-	-	-	-	(40,369)	(48,580)	(586,071)	(674,920)
Other changes in non-controlling interest of subsidiaries	-	-	-	-	-	-	-	27,774	27,774	(705,650)	(650,102)
Issue of Treasury Shares	-	-	(124,543)	-	-	-	-	-	(124,543)	-	(124,543)
Dividend paid to non-controlling interests by subsidiaries	-	-	-	-	-	-	-	-	-	(207,278)	(207,278)
Transactions with owners	-	-	(124,543)	-	-	-	-	(48,323)	44,782	(2,454,903)	(2,582,744)
Profit/(loss) for the year	-	-	-	-	-	-	-	24,294,606	24,024,000	(1,335,895)	22,982,711
Other comprehensive loss for the year	-	-	-	-	-	(4,852,657)	(7,395,917)	-	(11,888,519)	(1,732,023)	(13,601,579)
Total comprehensive (loss)/ income for the year	-	-	-	-	-	(2,062,657)	(7,395,917)	24,294,606	12,135,481	(2,730,548)	10,196,232
Transfer to reserves	-	-	-	2,575,814	7,575,614	-	-	(5,151,626)	-	-	-
Realised loss on equity investments at FVOCI transferred to retained earnings	-	-	-	-	-	525,687	-	(929,587)	-	-	-
Balance as at 31 December 2019	41,315,276	3,410,573	(3,535,116)	4,626,211	4,334,477	(4,307,335)	(20,909,170)	30,417,227	54,275,876	4,023,103	58,506,030

The notes set out on pages 12 to 73 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
OPERATING ACTIVITIES			
Profit before KFAS, Zakat, NLSI and directors' remunerations		9,167,350	24,721,315
Adjustments:			
Dividend income		(1,146,524)	(1,499,309)
Realized gain on disposal / partial disposal of associates		(1,576,423)	(4,199,944)
Change in fair value of investment properties		1,120,306	661,761
Share of results of associates	18	(10,789,182)	(8,955,432)
Net loss/(gain) recognised on disposal of a subsidiaries		1,456,681	(21,709)
Interest income and income from wakala and sukuk investments		(58,986)	(226,677)
Reversal of interest expenses on legal case settlement	9	(813,088)	-
Reversal of impairment provision on wakala investments	3	(200,000)	-
Reversal of impairment in value of accounts receivable		-	(160,260)
Depreciation and amortisation		794,853	583,679
Provision for end of service indemnity		202,650	177,217
Finance costs		1,810,482	5,000,199
Discount on settlement of borrowings		-	(17,240,536)
Impairment in value of accounts receivable		-	513,700
Impairment in value of property and equipment		530,144	-
Impairments in value of intangible assets		945,000	1,108,460
		<u>1,184,032</u>	<u>773,527</u>
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		7,883	2,585,839
Accounts receivable and other assets		722,786	79,510
Accounts payable and other liabilities		(2,127,153)	2,472,872
Inventories		(17,275)	262,020
Cash from operation		<u>70,073</u>	<u>6,152,677</u>
Zakat, KFAS and NLSI paid		(88,468)	(32,277)
Payment of end of service indemnity		(37,511)	(21,848)
Net (used in)/cash from operating activities		<u>(80,906)</u>	<u>6,098,452</u>
INVESTING ACTIVITIES			
Change in short term deposits maturing after 3 Months		(1,260,000)	-
Change in blocked deposits	13	-	213,137
Proceeds from redemptions/sale of investments at FVOCI		72,587	6,294,354
Purchase of investments at FVOCI		(427,010)	(539,911)
Additions to investments in associate		-	(126,000)
Net proceeds from disposal of subsidiaries		550,046	(26,541)
Dividend received from associates		3,803,400	2,912,716
Dividend received		1,145,524	1,499,509
Proceeds from disposal/ partial disposal of associates		7,455,044	20,795,592
Acquisition and development of investment properties		-	(3,882,276)
Proceeds from sale of investment properties		-	500,000
Net disposal/(acquisition) of property and equipment		54,370	(70,894)
Proceed from settlement of wakala investment	14	200,000	-
Interest income and income from wakala and sukuk investments received		68,986	226,677
Net cash from investing activities		<u>11,752,997</u>	<u>28,879,281</u>

The notes set out on pages 12 to 21 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

	Notes	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
FINANCING ACTIVITIES			
Repayments of borrowings (net)	22	(10,036,881)	(31,623,409)
Reception of share by non-controlling interests of a subsidiary		116,431	(5,935)
Payment to non-controlling interests on reduction of share capital by subsidiaries		(131,050)	(863,269)
Additional investment made by non-controlling interest in the capital of a subsidiary		-	22,000
Purchase of treasury shares		(803,200)	(124,643)
Dividend paid by wholly owned to non-controlling interests		(99,556)	(291,249)
Dividend paid		(1,854,589)	(2,251)
Finance costs paid		(1,873,448)	(1,360,227)
Net cash used in financing activities		(14,566,263)	(39,272,181)
Net decrease in cash and cash equivalents		(2,873,162)	(5,185,448)
Cash and cash equivalents at beginning of the year		9,417,995	12,013,443
Cash and cash equivalents at end of the year	12	6,544,833	6,827,995
Adjustment for non-cash transactions:			
- Investment properly retained from disposal of subsidiary	7	2,890,538	-
- Settlement of loan from Ultimate Parent Company	13.4	3,000,000	-
- Disposal of investments in associates	8.4 & 18.5	(3,835,000)	-
- Proceeds from disposal of subsidiaries	7	(2,890,538)	-
- Transfer of investment at FVOCI	13.5	468,000	-
- Transfer of investment property	14.1	667,000	-

These notes set out on pages 12 to 73 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities

Noor Financial Investment Company – KFSC ("the Parent Company") was incorporated in Kuwait on 1 February 1997 and its shares were listed on the Kuwait Stock Exchange during May 2006. The Parent Company and its subsidiaries are together referred to as "the Group". The Parent Company is regulated by the Central Bank of Kuwait and also by the Capital Market Authority (CMA), as an investment company and is a subsidiary of National Industries Group Holding KFSC ("the Ultimate Parent Company").

The principal objectives of the Parent Company are as follows:

- Invest in various economic sectors through establishment of specialized companies or purchase of shares or stakes in those companies;
- Perform the functions of investment trustee and manage all kinds of investment portfolios for third parties;
Facilitate in lending and borrowing transactions for commission or remuneration;
- Fund and facilitate in international trade operations;
Conduct research, studies and other technical services related to investment operations and manage funds for third parties;
Create and manage various investment funds according to the law;
- Perform the functions of lead manager for the bonds issued by companies and bodies;
- Prepare studies and provide financial advice related to investment for privatization projects;
- Carry out all the services and activities that help developing the financial and monetary market in the State of Kuwait;
- Trade, by selling and buying, in shares, bonds, Sukuk and other securities listed in Bourse Kuwait and foreign stock exchanges or unlisted for the Company's account, or the account of its clients, for commission or remuneration;
- Invest in real estate, industrial and agricultural sectors of the economy in all types of instruments;
- Facilitate in selling or buying financial assets and other assets for commission or remuneration;
- Provide funding operations to third parties to buy or lease fixed assets and movables through contracts;
Provide technical services for the incorporation of companies and restructuring, merger or disposal of the existing companies;
Prepare studies and research and provide the necessary consultation in all matters relating to the objectives of the company;
- Acquire industrial property rights, patents, trade and industrial marks, literary and intellectual property rights;
- Represent foreign companies, the objectives of which are identical with the objectives of the company in order to market their products and services in accordance with the relevant Kuwaiti legislation;
- To act as an investment controller.

The Parent Company has the right to perform the above mentioned activities inside and outside the State of Kuwait directly or through an agent. The Parent Company may have an interest or participate in any aspect with the entities performing similar works or which might assist it in the achievement of its objectives in Kuwait or abroad. The Parent Company may also purchase these entities or affiliate them therewith.

Notes to the consolidated financial statements (continued)

1 Incorporation and activities (continued)

Further, the Parent Company may provide works similar or complementary or necessary or related to its above mentioned objectives and may utilize its surplus funds by investing same in securities and funds managed by specialized companies and bodies.

The address of the Parent Company's registered office is NIG Building, Ground Floor, Sarawah, Kuwait (P. O. Box 1311, Safat 13034, State of Kuwait).

The Board of Directors of the Parent Company approved these consolidated financial statements for issuance on 5 March 2020. The general assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment properties.

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

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the assets and the non-controlling interests based on their respective ownership interests.

3 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait ("CBK") in the State of Kuwait. These regulations require expected credit loss ("ECL") to be measured at the higher of the ICL on credit facilities compared under IFRS 9 according to the CBK guidelines or the provisions as required by CBK instruction; the consequent impact on related disclosures; and the adoption of all other requirements of International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board ("IASB") (collectively referred to as IFRS, as adopted for use by the State of Kuwait). However, as of 31 December 2019 the Parent company and its subsidiaries do not have any credit facilities.

4 Changes in accounting policies

4.1 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019 which have been adopted by the Group. Information on these new standards is presented below:

<i>Standard or Interpretation</i>	<i>Effective for annual period beginning</i>
IFRS 16 Leases	1 January 2019
IAS 28 - Amendments	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019

IFRS 16 Leases

The Group has adopted IFRS 16 Leases effective from 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-16 and SIC-37. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

IFRS 16 Leases (continued)

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred. The right-of-use asset is subsequently depreciated using the straight line method over the lease term. In addition, the right-of-use asset is periodically reduced by an impairment loss, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently depreciated at amortised cost using the effective interest method.

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 assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings.

The Group presents right-of-use assets separately and lease liabilities in "accounts payable and other liabilities" in the consolidated statement of financial position. The carrying value of right-of-use assets and lease liabilities as at 31 December 2019 amounted to KD11,432,738 (1 January 2019: KD1,608,988) and KD11,495,662 (1 January 2019: KD1,608,988) respectively.

Depreciation charge for right of use assets and amortised cost on lease liabilities for the year amounted to KD176,250 and KD122,680 and are included in "general, administrative and other expenses" and "finance costs" respectively in the consolidated statement of profit or loss.

IAS 28 – Amendments

The amendments to IAS 28 clarify that an entity applies IFRS 9 *Financial Instruments*, including impairment requirements, to long term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These include long-term interests that, in substance, form part of the Group's net investment in an associate or joint venture.

The adoption of this amendment did not result in any significant impact on the Group's consolidated financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

Amendment to IFRS 7 and IFRS 11 - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(43/17) - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.1 New and amended standards adopted by the Group (continued)

Annual Improvements to IFRSs 2015-2017 Cycle (continued)

14.5.29 The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that are only borrowed generally when calculating the capitalisation rate on general borrowings.

The adoption of these amendments did not result in any significant impact on the Group's consolidated financial statements.

Several other amendments and interpretations apply for the first time in 2019, but are not relevant and/or do not have a material impact on the consolidated financial statements of the Group.

4.2 IASB Standards Issued but not yet effective

At the date of authorisation of this consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial information.

<i>Standard or Interpretation</i>	<i>Effective for annual period beginning</i>
IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments	No stated date
IFRS 3 - Amendments	1 January 2020
IAS 1 and IAS 8 - Amendments	1 January 2020

IFRS 10 and IAS 28 Sale or Contribution of Assets between and an Investor and its Associate or Joint Venture - Amendments

The Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- refer to the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

Notes to the consolidated financial statements (continued)

4 Changes in accounting policies (continued)

4.2 IASB Standards issued but not yet effective (continued)

IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments (continued)

IASB has postponed the effective date indefinitely until other projects are completed. However, early implementation is allowed. Management anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future should such transactions arise.

IFRS 3 – Amendments

The Amendments to IFRS 3 Business Combinations are changes to Appendix A (Defined terms, the application guidance, and the illustrative examples of IFRS 3 only with respect to Definition of Business). The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

IAS 1 and IAS 8 – Amendments

The amendments to IAS 1 and IAS 8 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

Management does not anticipate that the application of the amendments in the future will have a significant impact on the Group's consolidated financial statements.

5 Summary of significant accounting policies

The significant accounting policies and measurement basis adopted in the preparation of the consolidated financial statements are summarised below:

5.1 Basis of consolidation

The consolidated financial statements comprise financial statements of the Parent Company and all of its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All subsidiaries have a reporting date of 31 December. The details of the significant subsidiaries are set out in Note 7 to the consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.1 Basis of consolidation (continued)

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Accounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the date the Group gains control, or until the date the Group ceases to control the subsidiary as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests. Losses of subsidiary are attributed to the non-controlling interests even if this results in a deficit balance.

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

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

5.2 Business combinations

The Group applies the acquisition method of accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition costs fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

The Group recognises identifiable assets acquired and liabilities assumed in a business combination, regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.2 Business combinations (continued)

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.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in the consolidated statement of profit or loss immediately.

5.3 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See note 5.2 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to note 5.14 for a description of impairment testing procedures.

5.4 Investment in associates

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

Under the equity method, the carrying amount of the investment in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The share of results of an associate is shown on the face of the consolidated statement of profit or loss. This is the profit attributable to equity holders of the associate and therefore is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associates are prepared either to the reporting date of the Parent Company or to a date not earlier than three months of the Parent Company's reporting date, using consistent accounting policies. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount under separate heading in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.4 Investment in associates (continued)

However, when the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

5.5 Segment reporting

The Group has four operating segments: Investments, Real Estate, IT services and Hotel Operations. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources.

For management purposes, the Group uses the same measurement policies as those used in its consolidated financial statements. In addition, assets or liabilities which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

5.6 Revenue

The Group recognises revenue from the following major sources:

- Rendering of services including fee income earned from services that are provided over a certain period of time and fee income from providing transaction services
- Rental of investment properties
- Interest on deposits
- Dividend income
- Revenue from hotel operations
- Revenue from IT services

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on the relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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.

5.6.1 Rendering of services

The Group earns fees and commission income from a diverse range of asset management, investment banking, custody and brokerage services provided to its customers. The income can be divided into the following two categories:

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.6 Revenue (continued)

5.6.1 Rendering of services (continued)

• *Fee income earned from services that are provided over a certain period of time*
Fees earned for the provision of services over a period of time are earned over that period. These fees include commission income and asset management, custody and other management fees.

• *Fee income from providing transaction service.*

Fees arising for rendering specific advisory services, brokerage services, equity and debt placement transactions for a third party or arising from negotiating or participating in the negotiation of a transaction to a third party are recognised on completion of the underlying transaction.

5.6.2 Rental income

The Group earns rental income from operating leases of its investment properties (refer note 5.9).

5.6.3 Interest income

Interest income is recognised on a time proportion basis using effective interest method.

5.6.4 Gain/(loss) from sale of investment properties

Gain/(loss) from sale of investment properties is recognised at the point in time when control of the assets is transferred to the purchaser.

5.6.5 Dividend income

Dividend income, other than those from investments in associates, is recognised at the time the right to receive payment is established.

5.6.6 Revenue from hotel operations

Revenue from hotel operations includes hotel services revenue, food and beverage and room revenue.

Room revenue is recognised on the rooms occupied on a daily basis and food and beverage and other related sales are accounted for at the time of sale and other related services are recognised on the performance of the service.

5.6.7 Revenue from IT services

Revenue from IT services represent IT related services and sale of IT related products. Revenue from these services is recognised as service is rendered. Customers are invoiced periodically in accordance with contractual contracts as service provided. Any amounts remaining un billed at the end of a reporting period are presented in the statement of financial position as accounts receivable as early the passage of time is required before payment of these amounts will be due.

5.7 Operating expenses

Operating expenses are recognised in consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

5.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Leases assets

The Group as a lessor

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position as follows:

Right-of-use asset

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequent to initial measurement, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability is reduced for payments made and increased for interest. It is measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is reassessed, the corresponding adjustment is reflected in the right of use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessee

The Group enters into lease agreements as a lessee with respect to some of its investment properties. The Group classifies its leases as either operating or finance leases. When the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as finance lease. All other leases are classified as operating leases.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.9 Leased assets (continued)

The Group as a lessor (continued)

The Group enters into lease agreements as a lessor with respect to some of its investment properties. When the Group is an intermediate lessor, it accounts for the head-lease and sub-lease as two separate contracts. The sub-lease is classified as finance lease or operating lease by reference to the right of use of asset arising from the head-lease.

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

Amounts due under finance leases are recognised as receivables. Finance lease income is allocated to the accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding for the finance lease.

5.10 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate at each financial year end.

5.11 Intangible assets

Identifiable non-monetary assets acquired in a business combination and from which future benefits are expected to flow are treated as intangible assets.

Intangible assets which have a finite life are amortized over their useful lives. Intangible assets of the Group comprise of Indefeasible Rights of Use (IRU).

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight-line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

5.12 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation, and are accounted for using the fair value model.

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.12 Investment properties (continued)

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

5.13 Investment in joint operations (jointly controlled investment properties and borrowings)

Investment in jointly controlled operations are accounted for under the method of proportionate consolidation whereby the Group recognises its interest in assets, liabilities, income and expenses relating to the assets on a line-by-line basis and classified according to their nature.

5.14 Impairment testing of goodwill and non-financial assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management identifies goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually.

All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value in use. To determine the value-in-use, management estimates expected future cash flows from the asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's least approved budget, adjusted as necessary to exclude the effect of future reorganisations and assets enhancements. Discount factors are determined individually for each asset or cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

5.15 Financial instruments

5.15.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the entity commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.1 Recognition, initial measurement and derecognition (continued)

A financial asset (or, where applicable a part of financial asset or part of group of similar financial assets) is derecognised when:

- rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows 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 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 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 the Group's 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.

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 a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

5.15.2 Classification of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through other comprehensive income (FVOCI)
- financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

The Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to prevent subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (note 3.15.3); and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVOCI criteria as measured at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch. No such designation has been made.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest rate method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

The Group's financial assets at amortised cost comprise of the following:

- *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, balances with banks and other financial institutions and short term deposits due within three months which are subject to an insignificant risk of changes in value.

- *Cash and bank balances and short-term deposits*

Cash on hand and demand deposits are classified under cash and bank balances and deposits placed with financial institutions with a maturity of less than one year are classified as short-term deposits.

- *Murabaha investments / receivables*

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis.

When the credit risk of the transaction is attributable to a financial institution, the amount due under Murabaha contracts is classified as a Murabaha investment. Whereas, when the credit risk of transaction is attributable to counterparties other than banks and financial institutions, the amount due is classified as Murabaha receivable.

Murabaha receivables which arise from the Group's financing of long-term transactions on an Islamic basis are classified as Murabaha receivables originated by the Group and are carried at the principal amount less provision for credit risks to meet any decline in value. Third party expenses such as legal fees, incurred in granting a Murabaha are treated as part of the cost of the transaction.

All Murabaha receivables are recognized when the legal right to control the use of the underlying asset is transferred to the customer.

- *Wakala investments*

Wakala is an agreement whereby the Group provides a sum of money to a financial institution under an agency arrangement, who invests it according to specific conditions in return for a fee. The agent is obliged to return the amount in case of default, negligence or violation of any terms and conditions of the Wakala.

- *Receivables and other financial assets*

Trade receivables are stated at original invoice amount less allowance for impairment.

Receivables which are not categorised under any of the above are classified as "Other receivables / other assets"

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.3 Subsequent measurement of financial assets (continued)

Financial assets at FVOCI

The Group's financial assets at FVOCI comprise of investments in equity shares. These represent investments in equity shares of various companies and include both quoted and unquoted.

Debt instruments at FVOCI

The Group accounts for debt instruments at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to "hold to collect" the associated cash flows until sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon derecognition of the asset.

Equity investments at FVOCI

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus or minus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. The cumulative gain or loss is transferred to retained earnings within the consolidated statement of changes in equity.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains investments in equity shares.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.3 Subsequent measurement of financial assets (continued)

Financial assets at FVTPL (continued)

Assets in this category are measured at fair value with gains or losses recognized in consolidated statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Group's financial assets at FVTPL consist of the investment in equity shares and funds.

5.15.4 Impairment of financial assets

The Group computes expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Loan to customers
- Bank balances and short-term deposits
- Waqala and sukuk investments
- Other financial assets

Equity instruments are not subject to Expected Credit Losses.

Impairment of credit facilities (loan to customers)

Impairment on credit facilities is recognized 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.

Impairment of financial assets other than credit facilities

The Group recognizes ECL on investment in debt instruments measured at amortized cost or FVOCI and on balances and deposits with banks and other assets.

Expected Credit Losses

The Group applies three stage approach to measure expected credit losses (ECL) as follows:

Stage 1: 12 months ECL

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

Stage 2: Lifetime ECL – not credit impaired

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

Stage 3: Lifetime ECL – credit impaired

The Group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.4 Impairment of financial assets (continued)

Stage 3: Lifetime ECL – credit impaired (continued)

Life time ECL is ECL that result from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of life time expected credit loss that result from default events that are possible within the 12 months after the reporting date. Both life time ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis depending on the nature of the underlying portfolio of financial instruments.

Determining the stage of impairment

At each reporting date, the Group assesses whether a financial asset or group of financial assets is credit impaired. The Group considers a financial asset to be credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred or when contractual payments are 90 days past due.

At each reporting date, the Group also assesses whether there has been significant increase in credit risk since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date with the risk of default at the date of initial recognition. The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. All financial assets that are 90 days past due are deemed to have significant increase in credit risk since initial recognition and migrated to stage 2 even if other criteria do not indicate a significant increase in credit risk.

Measurement of ECLs

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

The Group has applied simplified approach to impairment for trade receivables and other assets as permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Provision for credit losses in accordance with CBK instructions

The Group is required to calculate provisions for credit losses on finance credit facilities in accordance with the instructions of CBK on the classification of credit facilities and 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 maturity or a principal instalment is past due for more than 90 days and if the carry $\frac{1}{2}$ 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.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.4 Impairment of financial assets (continued)

Provisions for credit losses in accordance with CRR instructions (continued)

Category	Criteria	Specific provisions
Watch list	Irregular for a period of 90 days	-
Substandard	Irregular for a period of 91-180 days	20%
Doubtful	Irregular for a period of 181- 365 days	50%
Risk	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 judgment of a customer's financial and/or non-financial circumstances.

In addition to specific provisions, 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.

5.15.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, due to banks and accounts payable and other liabilities.

The subsequent measurement of financial liabilities depends on their classification as follows:

- **Financial liabilities at amortised cost**

These are stated at amortised cost using effective interest rate method. The Group categorises financial liabilities at amortised cost into the following categories:

- **Borrowing**

All borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

- **Wakala payables**

Wakala payables represent borrowings under Islamic principles, whereby the Group receives funds for the purpose of financing its investment activities and are stated at amortised cost.

- **Ijara financing**

Ijara finance payable (along with ownership) is an Islamic financing arrangement through which a financial institution provides finance to purchase an asset by way of renting the asset ending with transferring its ownership. This ijara finance payable is stated at the gross amount of the payable, net of deferred finance cost. Deferred finance costs are expensed on a time apportionment basis taking into account the borrowing rate attributable and the balance outstanding.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.15 Financial instruments (continued)

5.15.5 Classification and subsequent measurement of financial liabilities (continued)

• Accounts payable and other financial liabilities

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not, and classified as trade payables. Financial liabilities other than at FVTPL which are not categorised under any of the above are classified as "other liabilities".

All interest related charges are included within finance costs.

5.15.6 Amortised cost of financial instruments

This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

5.15.7 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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.

5.15.8 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.5.

5.16 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued and paid up.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Legal and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the Companies' Law and the Parent Company's Articles of Association.

Other components of equity include the following:

- **Foreign currency translation reserve** – comprises of foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries and associates into Kuwaiti Dinar (KD).

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.16 Equity, reserves and dividend payments (continued)

- * cumulative changes in fair value reserve – comprises of gains and losses relating to investment on fair value through other comprehensive income and Group share of cumulative change in fair value reserve of associates.

Retained earnings include all current and prior period profit. All transactions with owners of the parent are recorded separately within consolidated statement of changes in equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a General Assembly.

5.17 Treasury shares

Treasury shares consist of the Parent Company's own issued shares that have been re-acquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity.

When the treasury shares are issued, gains are credited to a separate account in equity, (the "gain on sale of treasury shares reserve"), which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

5.18 Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

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

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 benefits is remote.

5.19 Foreign currency translation

5.19.1 Functional and presentation currency

The consolidated financial statements are presented in Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.19 Foreign currency translation (continued)

5.19.2 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-estimation of monetary items denominated in foreign currency at year-end exchange rates are recognised in consolidated statement of profit or loss. Non-monetary items are not retranslated at year-end and are measured in historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "fair value through other comprehensive income" is reported as part of the cumulative change in fair value reserve within consolidated statement of profit or loss and other comprehensive income.

5.19.3 Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the KID are translated into KID upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities are translated into KID at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into KID at the closing rate. Income and expenses have been translated into KID at the average rate over the reporting period. Exchange differences are charged/credited to consolidated statement of profit or loss and other comprehensive income and recognised in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognised in consolidated statement of changes in equity are reclassified to consolidated statement of profit or loss and are recognised as part of the gain or loss on disposal.

5.20 End of service indemnity

The Parent Company and its local subsidiaries provide 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 to the end of service benefits with respect to its Kuwaiti national employees, the Group also makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

5.21 Taxation

5.21.1 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group. As per law, allowable deductions include, share of profits of listed associates and cash dividends from listed companies which are subjected to NLST.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.21 Taxation (continued)

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

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

5.21.3 *Zakat*

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

5.21.4 *Income taxes*

Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws and tax rates in each jurisdiction that have been enacted or substantively enacted by the end of reporting date.

Deferred income tax is provided using the liability method on all temporary differences, at the reporting date, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting date.

Deferred tax assets are recognized for all deductible temporary differences, including carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

5.22 *Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances, short-term deposits and short-term highly liquid investments maturing within three months from the date of acquisition less due to banks and blocked bank balances.

5.23 *Inventories*

Inventories are stated at the lower of cost or net realisable value and the cost is determined according to the weighted average method.

5.24 *Fiduciary assets*

Assets held in a trust or fiduciary capacity are not treated as assets of the Group and, accordingly, they are not included in these consolidated financial statements.

Notes to the consolidated financial statements (continued)

5 Summary of significant accounting policies (continued)

5.25 Related party transactions

Related parties are associates, major shareholders, board of directors, executive staff, their family members and the companies owned by them. All related party transactions are carried out with the approval of the Group's management.

6 Significant management judgements and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

6.1 Significant management judgements

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

6.1.1 *Business model assessment*

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections at note 5.13). This test involves judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.1.2 *Significant increase in credit risk*

Estimated credit losses are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define "significant" increase. Therefore, assessment whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

6.1.3 *Judgements in determining the timing of satisfaction of performance obligations*

The determination of the whether or not performance obligation material set out in IFRS 15 relating to transfer of control of goods and services to customers has been satisfied requires significant judgement.

6.1.4 *Significant influence*

Significant influence exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, gives the entity the practical ability unilaterally to direct the relevant activities of the company.

6.1.5 *Fair values of assets and liabilities acquired*

The determination of the fair value of the assets, liabilities and contingent liabilities as a result of business combination requires significant judgement.

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.1 Significant management judgements (continued)

6.1.6 Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The Group classifies property as property under development if it is acquired with the intention of development.

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

6.1.7 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 judgement.

6.2 Estimates uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

6.2.1 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

6.2.2 Impairment of non-financial assets (intangible assets)

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated, and an impairment loss is recognised in the consolidated statement of profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

6.2.3 Impairment of associates

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

Notes to the consolidated financial statements (continued)

6 Significant management judgements and estimation uncertainty (continued)

6.2 Estimates uncertainty (continued)

6.2.4 Impairment of financial assets

Measurement of estimated credit losses involves estimates of loss given default and probability of default. Loss given default is an estimate of the loss arising in case of default by customer. Probability of default is an estimate of the likelihood of default in the future. The Group bases these estimates using reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

6.2.5 Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated statement of profit or loss. The Group engaged independent valuation specialists to determine fair values and the valuers have used valuation techniques to arrive at these fair values. These estimated fair values of investment properties may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.6 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 technical obsolescence that may change the utility of certain software and equipment.

6.2.7 Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of major variables that affect future profitability.

6.2.8 Fair value of financial instruments

Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

6.2.9 Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

6.2.10 Contract revenue

Recognised amounts of service and related receivables reflect management's best estimate of each contract's outcome and stage of completion. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.

Notes to the consolidated financial statements (continued)

7 Subsidiary companies

7.1 Details of the Group's material consolidated subsidiaries as of the reporting date are as follows:

Subsidiary	Country of registration and place of business	Proportion of ownership interest held by the Group		Nature of business
		31 Dec. 2019	31 Dec. 2018	
Noor Telecommunication Company - KSCC (through the Group holds 49.11% of the subsidiary, the Group exercises control over the subsidiary based on its ability to appoint majority board members)	Kuwait	49.11%	49.11%	Telecommunications and IT Services
Noor Al Saliya Real Estate Co - KSCC	Kuwait	-	50.12%	Real estate and related activities
Noor Kuwait Holding - KSCC	Kuwait	99.53%	99.53%	Investment and related activities
Kuwaiti In-shan Holding Company - KSCC	Kuwait	58.59%	58.59%	Investment and related activities
Noor GCG Islamic Fund	Kuwait	93.96%	88.98%	Investment and related activities
Hotels Global Group Company - JSC	Jordan	100%	100%	Hospitality

7.2 Subsidiaries with material non-controlling interests

The Group includes two subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2019 %	31 Dec. 2018 %	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD
Noor Telecommunication Company - KSCC (NTEC)	50.89%	50.89%	798,693	(1,103,090)	5,003,245	4,634,820
Noor Saliya Real Estate Company - KSCC (NSRE)	-	40.00%	-	8,391	-	8,179,154
Kuwaiti In-shan Holding Company - KSCC (KIHC)	43.41%	45.41%	75,250	35,824	1,224,403	1,194,746
Individually immaterial subsidiaries with non-controlling interests			8,785	22,090	328,120	331,457
			<u>842,708</u>	<u>(1,036,825)</u>	<u>6,635,768</u>	<u>14,020,163</u>

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.2 Subsidiaries with material non-controlling interests (continued)

Summarised financial information for the above subsidiaries, before inter-group eliminations, is set out below:

	NTEL		KIFC	
	31 Dec. 2019 KQ	31 Dec. 2018 KQ	31 Dec. 2019 KQ	31 Dec. 2018 KQ
Non-current assets	7,152,083	3,024,120	-	-
Current assets	6,921,784	7,714,243	2,879,873	2,903,941
Total assets	14,073,867	10,738,363	2,879,873	2,903,941
Non-current liabilities	642,403	1,253,535	5,793	4,279
Current liabilities	3,924,786	6,946,523	56,724	52,832
Total liabilities	4,567,189	8,200,058	62,517	57,111
Equity attributable to owners of the Parent Company	4,423,403	3,979,121	1,592,753	1,063,076
Non-controlling interests (including NCI of the sub subsidiary)	5,083,245	4,564,033	1,224,403	1,794,740
Total income	13,482,287	11,691,536	237,841	142,103
Profit / (loss) for the year	1,427,779	(2,150,530)	173,433	62,522
Other comprehensive loss for the year	(472,138)	(3,374,412)	-	-
Total comprehensive income / (loss) for the year	955,641	(5,472,372)	173,433	62,522
Attributable to owners of the Parent Company	437,219	(2,653,570)	98,143	46,088
Attributable to NCI	518,421	(2,818,802)	75,290	30,824
Net cash flow (used in) / from operating activities	382,978	1,007,513	(321,429)	(142,931)
Net cash flow from / (used in) investing activities	92,247	378,413	26,727	357,386
Net cash flow (used in)/from financing activities	(360,985)	(3,015,730)	(104,040)	(57,285)
Net cash inflow/(outflow)	124,241	(1,568,834)	(308,742)	187,180

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.3 Disposal of Subsidiary Companies

- a) At the beginning of the year, the Group owned 59.1% of equity interest in Noor Al Sa Fiya Real Estate Co.- KSCC ("NSREC") (subsidiary). During the first quarter, the Parent Company disposed 32.0% of NSREC's equity interest to its related parties which resulted in loss of control over "NSREC". As a result of this disposal, the Group lost its control over another subsidiary, Noor CM Holding Company KSCC ("NCM") where the Group's ownership interest declined from 58% to 49%. Consequently to loss of control over NCM the Group's ownership of NSREC was further diluted by 9.5%. Accordingly, NSREC and NCM were reported as discontinued operations for the year ended 31 December 2019. The remaining share of NSREC and NCM was accounted as investments in associates. However, during 3rd and 4th quarter, the Group disposed the balance share of 16.9% and 19% of the NSREC and NCM, respectively (Refer note 18.5).

Financial information relating to the discontinued operation of NSREC and NCM for the period to the date of disposal is set out below:

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Dividend Income	-	2,184
Rental Income	-	362,725
Share of results of associates	-	258,574
Change in the fair value of investment properties	-	(191,711)
Interest and other income	-	31,726
	-	750,608
Expenses and other charges		
General, administrative and other expenses	-	(534,503)
Finance costs	-	(224,323)
Foreign exchange gain	-	31,828
Profit for the year from discontinued operation	-	23,610
Loss from disposal of subsidiary (note 5b)	(1,456,681)	-
(Loss) / profit for the year from discontinued operations	(1,456,681)	23,610

- b) At the date of disposal, the fair values of the consideration and the carrying amounts of net assets disposed were as follows:

	Year ended 31 Dec. 2019 KD
Fair value of the consideration	
Cash consideration received	9,000,000
- Fair value of investment property retained as part of sales consideration	2,880,538
	5,880,538
Fair value of retained interest in NSREC classified as investment in associate (note 18)	1,029,912
Fair value of retained interest in NCM classified as investment in associate (note 18)	853,083
	9,772,913
Less: Total carrying value of the net assets disposed (note 7c)	(11,229,194)
Loss on disposal of subsidiary	(1,456,681)

- c) As part of the above disposal transaction, the Group agreed with one of the buyers, a related party, to retain one of Group's existing development property (owned by NSREC and its subsidiaries) with the value of KWD2,890,538 against the consideration due (cash).

Notes to the consolidated financial statements (continued)

7 Subsidiary companies (continued)

7.3 Disposal of Subsidiary Companies (continued)

c) Net assets of disposed subsidiaries as at the date of disposal were as follows;

	KD
Assets	
Cash and cash equivalents	949,954
Short term deposits	1,500,000
Murabaha, wakala and sukuk investments	152,965
Receivables and other assets	131,897
Due from related parties	4,680,454
Investment properties	20,286,817
Investments at fair value through other comprehensive income	165,156
Investment in associates	2,396,970
Property and equipment	2,070
	30,266,283
Less: Liabilities and non-controlling interests	
Payables and other liabilities	(533,585)
Due to related parties	(1,304,295)
Borrowings	(8,720,075)
Non-controlling interests	(8,479,134)
	(19,037,089)
Total liabilities and non-controlling interest	(19,037,089)
Net assets as at the date of disposal attributable to the Group	11,229,194

For the purpose of the consolidated statement of cash flow, the net cash inflow on disposal of subsidiary is KD550,046.

8 Cost of sales and services, general, administrative and other expenses and finance cost

- a) Cost of sales and services include staff costs of KD5,260,975 (2018: KD5,446,775), and amortization of KD283,759. (2018: KD227,007).
- b) General, administrative and other expenses include the following:

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Staff costs	2,079,730	2,451,197
Depreciation and amortization	510,894	336,671
Other expenses	3,192,718	2,795,679
	5,783,342	5,583,547

Number of staffs employed by the Parent Company as at 31 December 2019 was 37 (2018: 39).

- c) Finance cost relates to borrowing from banks, other financial institutions and from Ultimate Parent Company which are financial liabilities stated at amortized cost
- d) During the year, management has performed an impairment assessment on property and equipment and as a result recognised an impairment of KD530,144.

Notes to the consolidated financial statements (continued)

9 Interest and other income

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Interest income	55,183	188,400
Income from wakala and sukuk investments	13,823	21,061
Income from future trade customers	-	7,325
Discount on settlement of borrowings (Refer note 22.1)	-	17,042,568
Reversal of interest expenses on legal cases on settlement*	613,088	-
Reversal of impairment provision on wakala investment (note 14.1)	200,000	-
Other income	68,248	241,785
	<u>1,151,323</u>	<u>17,497,217</u>

* This was accrued during the year ended 31 December 2018 as finance cost based on a court decision received against one of the subsidiaries. This amount has been reversed based on the out of court settlement agreement entered between the management of the subsidiary and the counter party to settle the dues without any payment for the above-mentioned interest accrued. Accordingly, the subsidiary has settled an amount of K.32,300,000 during the year which was already included under accounts payables and other liabilities as at 31 December 2018.

10 Net gain/(loss) on financial assets

Net gain/(loss) on financial assets, analysed by category, is as follows:

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Financial assets at amortised cost		
- Interest on cash and bank balances and short-term deposits	55,183	188,400
- Profit from wakala and sukuk investments	13,823	21,061
- Income from future trade customers	-	7,325
- Impairment in value of accounts receivable	-	(513,700)
- Reversal of impairment provision on wakala investments	200,000	-
- Reversal of impairment in value of accounts receivables	-	180,202
Investments at fair value through profit or loss		
- Realised gain	1,870,232	1,281,824
- Unrealised gain	1,713,417	656,548
- Dividend income	410,426	400,644
Investments at FVOCI		
- recognised directly in other comprehensive income for investments at FVOCI	(122,120)	(5,190,451)
- recognised in statement of profit or loss as dividend income	735,099	1,916,151
	<u>4,976,039</u>	<u>(2,898,578)</u>

Notes to the consolidated financial statements (continued)

10 Net gain/(loss) on financial assets (continued)

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Distributed as follows:		
Net gain/(loss) recognized in the consolidated statement of profit or loss		
- Realized gain on investments at fair value through profit or loss	1,870,232	1,281,824
Unrealized gain on investments at fair value through profit or loss	1,713,417	558,548
Dividend income	1,145,524	1,497,125
Impairments in value of accounts receivable and other assets	-	(513,700)
Others	268,986	375,106
Net loss recognized in the consolidated statement of profit or loss and other comprehensive income	(122,120)	16,185,151
	<u>4,876,039</u>	<u>(2,991,548)</u>

11 KFAS, Zakat and NLST

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Provision for contributions to Kuwait Foundation for Advancement of Science (KFAS)	-	139,642
Provision for National Labour Support Tax (NLST)	-	409,967
Provision for Zakat	<u>127,348</u>	<u>252,905</u>
	<u>127,348</u>	<u>792,514</u>

12 Basic and diluted earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD (Restated)
Profit/(loss) for the year attributable to the owners of the Parent Company (KD)		
- From continuing operations	9,533,915	24,810,998
- From discontinued operations	<u>(1,456,681)</u>	<u>23,610</u>
Total	<u>8,077,234</u>	<u>24,834,608</u>
Weighted average number of shares outstanding during the year (excluding treasury share)	<u>399,157,535</u>	<u>400,740,483</u>
Basic and diluted earnings/(loss) per share (F/s)		
- From continuing operations	23.89	61.91
- From discontinued operations	<u>(3.65)</u>	<u>0.06</u>
Total	<u>20.24</u>	<u>61.97</u>

Notes to the consolidated financial statements (continued)

13 Cash and cash equivalents

Cash and cash equivalents for the purpose of the consolidated statement of cash flows are made up as follows:

	Effective annual interest/ profit rates		31 Dec. 2019 KD	31 Dec. 2018 KD
	31 Dec. 2019	31 Dec. 2018		
Cash and bank balances	0.25%-0.62%	0.25%-0.62%	2,580,478	6,280,622
Short term deposits	2.0%-3.5%	2.5%-2.75%	5,628,943	4,880,225
			8,209,421	10,140,847
Less: Due to banks	5.25%-5.75%	6.0%	(408,588)	(715,382)
Less: Blusken to groups			(5,890)	(5,890)
Less: Short term deposits maturing after 3 months			(1,250,000)	-
Cash and cash equivalents as per consolidated statements of cash flows			6,544,833	9,414,565

Cash and bank balances include call accounts which earn interest.

Due to banks represent bank overdraft facilities utilised by subsidiary and are secured by short term deposits as at 31 December 2019 of KD622,843 (2018: KD610,325).

Cash and cash equivalents include bank balances of KD1,176,294 (31 December 2018: KD1,216,544) which are designated for the purpose of payment of dividends for the Parent Company shareholders, payment on account of capital reduction and dividend payments to non controlling interest of two subsidiaries.

14 Wakala and sukuk investments

	Effective annual interest/ profit rates		31 Dec. 2019 KD	31 Dec. 2018 KD
	31 Dec. 2019	31 Dec. 2018		
Wakala investments				
Placed with local Islamic banks	3.00%	3.00%	1,000,000	1,000,000
Sukuk Investments			-	152,865
			1,000,000	1,152,865

- a) Wakala investments of KD14,374,165 (31 December 2018: KD14,324,165) placed with a local Islamic investment company listed in the last quarter of 2008. The investor company defaulted on settlement of these balances on the maturity date. However, revised maturity dates were stipulated by the court. The investor company again defaulted for payment of 2nd, 3rd, 4th and 5th instalments due in June 2014, 2015, 2016 and 2017 respectively. Full provision was made for receivable in accordance with the Central Bank of Kuwait provision rules. The Group initiated various legal cases against the investor company, which have been decided in favor of the Group. During the year, the Parent Company has signed settlement agreement with Investor Company and as per this agreement 50% shares of a local listed company (acquired company) have been transferred to Parent Company.

Notes to the consolidated financial statements (continued)

14 Wakala and sukuk investments (continued)

The acquired company along with other entities are pursuing legal action in order to execute their joint rights as per previous court verdict. The management of the Parent Company is of the opinion that the financial impact of this transaction will be adjusted upon completion of the relevant legal proceedings.

- b) During the previous years, the Group assumed the financial and legal obligations on wakala investments of KD11,683,250 (in violation of the Commercial Companies Law of 1960) that the Group had placed with the above investment company as part of the total wakala investments of KD14,323,160 in a fiduciary capacity under a wakala agreement with certain related parties, despite having no such obligation under the wakala agreement. As noted above, the amount was fully provided in accordance with Central Bank of Kuwait rules. The Group initiated legal proceedings against the parties to recover the amount including profits thereon. During the year consequent to a court ruling decided in favor of the Group, the related parties entered into a settlement agreement with the Parent Company to settle the above amount of KD11,683,250. The Parent Company received partial payment of KD200,000 during the year as per the settlement agreement and remaining amount of KD800,000 and KD1083,250 to be received in 2020 and 2021 respectively. This has resulted in a reversal of provision on wakala investment amounting to KD200,000 in accordance with Central Bank of Kuwait credit provisioning rules.

15 Investments at fair value through profit or loss

	31 Dec. 2019 KD	31 Dec. 2018 KD
Quoted securities	11,110,800	11,080,855
- Local	8,078,479	6,708,789
- Foreign	3,032,321	4,372,066
Foreign funds	597,857	651,070
	<u>11,704,245</u>	<u>17,111,928</u>

Quoted shares with a fair value of KD3,899,087 (2018: KD3,622,059) are secured against borrowings (refer note 22).

16 Accounts receivable and other assets

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial assets:		
Accounts receivable (net of impairment) *	2,828,251	3,009,278
Due from the Ultimate Parent Company	2,457	2,271
Due from other related parties	118,844	4,089,615
Due from investment brokerage companies	459,720	157,639
Accrued income	510,118	647,386
Other financial assets	364,752	270,653
	<u>4,290,142</u>	<u>9,476,726</u>
Non-financial assets:		
Other assets	155,755	437,075
	<u>4,445,897</u>	<u>9,913,801</u>

Notes to the consolidated financial statements (continued)

16 Accounts receivable and other assets (continued)

*This includes receivable related to consultancy contracts and projects which are mainly related to the Government. Trade receivable included an amount of KD2,072,711 (2018: KD2,731,065) from Government related entities. The average credit period on sales of goods and provision of services is 120 days. No interest is charged on outstanding trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses on trade receivables. The loss rates are based on days past due for groupings of different debtor segments with similar loss patterns. The calculation also considers the past default experience of the debtor, current and forward looking factors affecting the debtor's ability to settle the amount outstanding, general economic condition of the industry in which the debtor operates and an assessment of both current as well as the forecast direction of conditions at the reporting date.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

On the above basis the expected credit loss for trade receivables as at 31 December 2019 and 31 December 2018 was determined as follows:

	Current KD	Less than 60 days KD	60-180 days KD	181-244 days KD	More than 245 days KD	Total KD
31 December 2019:						
Trade receivables:						
Expected credit loss rate (approximate %)	1.4%	1.7%	1.8%	12.7%	93.1%	
Gross carrying amount	1,227,571	1,116,760	406,495	65,671	396,014	3,712,511
Life time expected credit loss	16,744	19,072	7,807	8,330	394,327	556,280
31 December 2018:						
Trade receivables:						
Expected credit loss rate (approximate %)	0.8%	1.5%	3.8%	4.8%	93.2%	
Gross carrying amount	1,278,675	768,291	446,812	1,060,534	1,146,726	4,690,038
Life time expected credit loss	10,172	13,409	16,801	46,367	953,516	1,040,255

The movement in the provision for trade receivable is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance at 1 January	1,040,258	769,270
Adjustment on addition of IFRS 9	-	123,393
Balance at 1 January (restated)	1,040,258	903,663
Provision for the year*	-	133,595
Due to disposal of subsidiaries	(153,373)	-
	886,885	1,040,258

Notes to the consolidated financial statements (continued)

17 Investments at fair value through other comprehensive income

	31 Dec. 2019 KD	31 Dec. 2018 KD
Quoted securities	9,081,667	6,595,244
- Local	8,799,584	6,429,818
- Foreign	282,083	165,426
Unquoted equity securities	6,465,048	7,060,437
- Local	1,290,219	1,379,873
- Foreign	5,174,829	5,680,564
Foreign funds	821,356	1,301,803
	16,188,068	15,000,187

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate these investments in equity instruments as FVOCI as it believes that recognizing short-term fluctuations in the fair value of these investments in consolidated statement of profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realizing their performance potential in the long run.

- a) During the previous year, the Group disposed an unquoted investment with a carrying value of KD6,363,600 to a related party for a consideration of KD6,263,600.
- b) Quoted shares with a fair value of KD8,597,761 (2018: KD6,678,619) and unquoted shares with a fair value of KD36,124 (2018: KD167,078) are secured against borrowings (refer note 23).

18 Investment in associates

This represent the Group shares of following associates using the equity method.

Associates	Country of Registration & Principal place of business	Percentage of ownership		Nature of business
		31 Dec. 2019	31 Dec. 2018	
Meezan Bank Limited (Note 10.2)	Pakistan	38.25%	38.18%	Islamic Banking
Sayt Alaya Real Estate Development Co. WLL (Note 18.3)	Jordan	-	50.00%	Real Estate Developments
National Tamrah GIC Company - WLL (Note 18.1)	Kuwait	-	48.00%	Real Estate Developments
Duna National Combined Real Estate Company - WLL (Note 18.1)	Kuwait	-	50.00%	Real Estate Developments
Ikarus Real Estate Company LLC (Note 18.1)	UAE	-	66.00%	Real Estate Developments
Duna United Central Market Company WLL (Note 18.1)	Kuwait	-	53.00%	General Trading
Sadra Middle East Company WLL (Note 18.1)	Kuwait	-	25.00%	Real Estate Developments

Notes to the consolidated financial statements (continued)

16 Investment in associates (continued)

Movements of the investments in associates during the year are as follows:

	31 Dec 2018 KD	31 Dec. 2019 KD
Balance at 1 January	44,053,153	(1,905,767)
Adjustments arising from adoption of IFRS 9	-	(57,740)
Balance as at 1 January - restated	44,053,153	(1,848,027)
Admissions during the year:		125,000
Addition due to deconsolidation of subsidiaries (Note 7.3)	3,881,975	-
Dis-recognitions due to disposal of subsidiary (Note 18.1)	(2,399,970)	-
Share of results	10,769,182	5,905,432
Share of other comprehensive income of associates	6,290,837	(371,779)
Disposal/partial disposal of associates	(8,139,172)	(12,040,990)
Transfer to financial assets at fair value through other comprehensive income	(24,529)	-
Dividend received	(3,883,488)	(2,912,710)
Foreign currency translation adjustment	(3,779,049)	(+1,505,834)
Other adjustment	(48,808)	(44,988)
Balance at the end of the year	46,722,338	44,053,153

- 18.1 During the year, as a result of disposing the subsidiary, KSA-OC (note 7.3), the Group has also de-recognised its associates owned by the disposed subsidiary, National Landlord GLX Company - WLL (48%), Ikraha Real Estate Company - LLC (30%), Sider Middle East Company WLL (25%), Dama National Combined Real Estate Company - WLL (50%) and Doha United Central Market Company - WLL (3%) with a total carrying value of KD2,793,970 as of the disposal date.
- 18.2 During the year, the Group has partially disposed of 3.93% (2018: 10.93%) of its foreign associate, Mezzan Bank Limited for a total consideration of KD3,374,341 (2018: KD270,756,567) resulting in a net gain of KD2,896,797 (2018: KD4,196,944). The remaining share in this associate (35.29%) continues to be accounted for as an associate.
- 18.3 During the year the Group disposed its entire stake in the associate Bayr Al Kaya Real Estate Development Company (50%) for a net consideration of KD1,018,662 resulting in a net loss of KD128,711.
- 18.4 During the third quarter of 2019, the Group disposed of its remaining 16.7% stake in Noor Salbiya Real Estate Company - KSCC to the Ultimate Parent Company for a consideration of KD3,000,000. The consideration of KD3,000,000 has been set off against the loan from Ultimate Parent Company.
- 18.5 During the fourth quarter of 2019, the Group disposed of its remaining 49.5% stake in Noor CM Holding Company - KSCC to Noor Salbiya Real Estate Company - KSCC for a consideration of KD 867,038, resulting in a net gain of KD41,322. The consideration consists of in kind consideration of KD835,000 (government property amounting to KD667,000 and investments in FVOCI amounting to KD168,000) and cash consideration of KD32,038.
- 18.6 Summarised financial information in respect of Group's material associate (Mezzan Bank Limited) is set out below. The summarised financial information below represents the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Notes to the consolidated financial statements (continued)

18 Investment in associates (continued)

18.6.1 Meezan Bank Limited.

	31 Dec. 2019 KD	31 Dec. 2018 KD
Total assets	2,203,581,760	2,041,717,350
Total liabilities (including non-controlling interests)	(2,083,021,095)	(1,648,424,190)
Equity attributable to shareholders of Meezan Bank	120,560,665	393,293,160
Revenue	181,484,775	165,427,973
Profit for the year attributable to the shareholders of Meezan bank	30,455,834	10,470,423
Other comprehensive income/(loss) for the year	10,666,240	(1,833,045)
Total comprehensive loss for the year	49,161,880	17,537,381
Dividends received from the associate during the year (net of taxes)	3,883,480	2,912,710
Proportion of the Group's ownership interest in Meezan Bank	35.26%	38.18%
Group share in Meezan Bank's net assets	42,496,307	35,240,151
Goodwill	4,246,051	5,229,342
Carrying value of Group's ownership interest in Meezan Bank	46,722,338	40,469,493

As at 31 December 2019 the fair value of the Group's interest in Meezan Bank Limited, which is listed on the Pakistan Stock Exchange was KQ194,389,024 (2018: KQ186,421,091), based on the quoted market price available on that exchange, which is a level 1 input in terms of IFRS 13.

18.6.2 Group's share of associate's contingent liabilities:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Guarantors	26,792,092	25,259,757
Letters of credit	67,897,072	73,408,381
Commitments in respect of forward exchange contracts	184,223,449	99,389,669
Commitment for the acquisition of operating fixed assets	532,750	337,870
Commitment in respect of financing	238,063,955	160,209,306
	517,509,958	358,715,305

The local income tax authority in Pakistan has raised a demand requesting Meezan Bank Limited, an associate of the Group, to pay additional tax amounting to KQ5.5 million (Group's share KQ1.2 million) for prior years including 2018. The associate has obtained a stay order against this demand and has also filed appeals with the relevant Appellate Authorities. Group's management, in consultation with tax advisers, is confident that the decision in respect of this matter would be in Group's favour and, accordingly, no provision is made in these consolidated financial statements with respect thereto.

Notes to the consolidated financial statements (continued)

19 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Fair value as at 1 January	31,738,875	50,054,877
Developments and construction costs	-	4,052,645
De-recognition due to disposal of subsidiary (note 7.3)	(17,396,279)	-
Disposals (note 19.5)	-	(1,553,875)
Additions during the year	687,000	-
Changes in fair value (note 18.3)	(1,150,306)	(681,781)
Foreign currency translation	35,820	(40,191)
	<u>12,095,210</u>	<u>31,738,875</u>

19.1 Investment properties comprise of lands and buildings in the following countries:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Kuwait	10,622,000	27,332,000
Outside Kuwait	3,273,210	4,406,875
	<u>13,895,210</u>	<u>31,738,875</u>

19.2 Investments properties amounting to KQD8,409,055 (2018: KQD8,500,000) and KQD1,516,000 (2018: KQD11,277,000) are secured against bank borrowings and Ijara financing facilities respectively (refer note 27).

19.3 At 31 December 2019, the Group pre-valued its properties based on independent valuations (refer note 30.3 for further details relating to fair value).

19.4 During the previous year, the Group disposed an investment property at its carrying value of KQD1,656,675 to a related party without any gain or loss.

20 Goodwill and other Intangible assets

20.1 Goodwill

	31 Dec. 2019 KD	31 Dec. 2018 KD
Goodwill	<u>2,029,278</u>	<u>2,029,278</u>

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries. Goodwill has been allocated to the IT service business of the Group as that is the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Notes to the consolidated financial statements (continued)

20 Goodwill and other Intangible assets (continued)

Impairment testing

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on higher of value in use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	How used to determine value to be assigned in key assumption
Growth rate	<p>Anticipated average growth rate of 4% (2018: 4%) per annum. Value assigned reflects past experience and changes in economic environment.</p> <p>Cash flows beyond the five year period have been extrapolated using a growth rate of 0% (2018: 4%). This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.</p>
Discount rate	Discount rates of 14% (2018: 17.5%). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

20.2 Intangible assets – Indefeasible right of use (IRU)

Intangible asset comprises of indefeasible right of use (IRU) to a telecommunication asset arising from a subsidiary acquired during 2014 and the movement is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KU
Cost		
At the beginning of the year	3,267,810	3,267,810
Balance at the end of the year	3,267,810	3,267,810
Accumulated amortization and impairment		
At the beginning of the year	(1,804,310)	(510,823)
Charge for the year	(283,769)	(227,027)
Impairments in value	(145,000)	(1,066,400)
At the end of the year	(3,133,069)	(1,804,310)
Net book value at the end of the year	134,741	1,063,500
Less goodwill (note 20.1) and intangible assets	2,164,019	3,392,778

During the year, management has performed an impairment assessment of the intangible assets and as a result recognized an impairment of KD245,000 (2018: KUD1,166,80) based on the recoverable value of the intangible assets based on fair value approach.

Notes to the consolidated financial statements (continued)

21 Accounts payable and other liabilities

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial liabilities:		
Accounts payable	2,093,767	2,350,783
Payable on acquisition of subsidiary	-	1,518,500
Taxes payable	1,085,648	1,051,768
Accrued expenses	945,777	1,783,312
Dividend payable	180,038	29,925
Other payables	943,807	1,277,660
Due to related parties	452,000	1,653,385
Payable on account of capital reduction in subsidiary	957,050	1,053,157
Lease liabilities	1,499,862	-
	8,157,860	10,049,851

All above financial liabilities are non-interest bearing except for lease liabilities. The carrying values of the above liabilities approximate their fair values.

22 Borrowings

	Effective Interest Rate (per %)		Security	31 Dec.	31 Dec.
	2019	2018		2019 KD	2018 KD
Short term					
Para Financing – Kuwaiti Dinar	-	5.25%	-	-	1,045,000
Tawarug Payable – Kuwaiti Dinar	6.58%	5%	Secured	162,146	329,127
				162,146	1,374,127
Long term					
Loans from banks – Kuwaiti Dinar	4.57%	4.85%	Secured	21,459,376	23,129,376
Loan from Jilimast Parent Company – Kuwaiti Dinar	4.75%	5%	Secured	5,640,000	16,030,030
Para financing – Kuwaiti Dinar	5.75%	4.5%	Secured	730,500	5,605,575
				27,189,876	47,734,981
				27,352,021	49,109,077

22.1 During the previous year, the Parent Company has completed restructuring of its loans amounting to KD133,129,375 out of total outstanding loans amounting to KD89,683,625 and the Parent Company has settled remaining loans amounting to KD63,559,230 due to even at its lenders against a payment of KD119,513,664 with a 25.6% discount. The gain amounting to KD17,040,586 which resulted from the waiver of the principal, has been recognized as other income during the previous year.

Notes to the consolidated financial statements (continued)

22 Borrowings (continued)

22.1 During the year, the Parent Company has paid an amount of KD1,670,000 to the bankers. These loans are fully secured by investments at fair value through profit or loss (note 15), investments at fair value through other comprehensive income (note 17) and investment properties (note 19) and against shares of non-listed subsidiaries of the Parent Company. Out of KD21,759,375 an amount of KD1,265,000 is due in the year 2021 and KD1,200,000 is due in the year 2022 and the remaining amount of KD19,194,375 is due during the year 2023.

22.2 During the year, the Parent Company has paid a total of KD11,000,000 (including cash settlement of KD3,400,000) against loans obtained from Ultimate Parent Company.

The remaining amount of loan from the Ultimate Parent Company is due in December 2020.

22.3 80% financing contracts and loan amounting to KD730,500 (2018: KD19,650,575) are secured by investments properties (Note 19).

22.4 The above loans are due as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Short term Ijara Financing	-	1,040,000
Short term Tawaruf Payable	162,146	529,127
Long term loans		
- Current portion due within one year	5,000,000	8,580,000
- Due after more than one year	21,459,375	30,500,375
Long term Ijara financing		
- Current portion due within one year	200,000	926,000
- Due after more than one year	530,500	7,889,575
	<u>27,352,021</u>	<u>48,102,077</u>

22.5 The fair value of the short term financing including the current portion of long term borrowings equals their carrying amount, as the impact of discounting is not significant. The fair value of the long-term financing of the Group amounted to KD770,161,570 (2018: KD237,030,000) with carrying value of KD21,960,675 (2018: KD18,249,950). The fair values are based on cash flows discounted using a rate based on the borrowing rate of 4.5% (2018: 4.75%) and are within level 2 of the fair value hierarchy.

23 Share capital and share premium

23.1 The authorized, issued and paid up share capital of the Parent Company as at 31 December 2019 comprise of 413,162,761 shares of 100 Fils each (2018: 413,162,761 shares of 100 Fils each) fully paid up in cash.

23.2 Share premium is not available for distribution.

Notes to the consolidated financial statements (continued)

24 Treasury shares

The Group holds treasury shares as follows:

	31 Dec. 2019	31 Dec. 2018
Number of shares	18,187,885	13,117,604
Percentage of issued shares	4.40%	3.17%
Market value (USD)	2,147,348	1,000,360
Cost (KD)	4,138,316	3,535,118

Reserves equivalent to the cost of treasury shares held are not distributable. The treasury shares are not backed by collaterals against any financial liability.

25 Legal and voluntary reserves

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the Parent Company's profit before KEAS, Zakat, NISF and directors' remuneration for the year is to be transferred to legal reserve. The Parent Company may resolve to discontinue such annual transfer when the reserve totals 50% of the paid-up share capital. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist.

Distribution of the legal reserve is limited to the amount required to enable the payment of a dividend up to 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the distribution of a dividend of that amount.

In accordance with the Parent Company's Articles of Association, a certain percentage of the Parent Company's profit before KEAS, Zakat, NISF and directors' remuneration is to be transferred to the voluntary reserve at the discretion of the Board of Directors which is to be approved at the General Assembly. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist. For the year 2019, Board of Directors proposed to transfer 7% of the above mentioned profit to the voluntary reserve and this is subject to approval of General Assembly of shareholders. There are no restrictions on distribution of voluntary reserve.

26 Cumulative changes in fair value, foreign currency translation reserve and Non-controlling interests

26.1 Cumulative changes in fair value

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Balance at 1 January	(4,992,836)	3,806,798
Adjustments arising on adoption of IFRS 9	-	(1,515,428)
Balance as at 1 January – restated	(4,992,836)	(757,190)
Other comprehensive income / (loss):		
Net changes in fair value of investments at FVOCI	118,161	(4,491,493)
Share of other comprehensive income of associates	6,490,837	(371,178)
Other comprehensive income / (loss) for the year	6,609,000	(4,852,632)
Realised loss on investments at FVOCI transferred to retained earnings	-	606,987
Balance at 31 December*	1,446,153	(1,992,835)

Notes to the consolidated financial statements (continued)

25 Cumulative changes in fair value, foreign currency translation reserve and Non-controlling interests (Continued)

25.1 Cumulative changes in fair value (continued)

* Total cumulative changes in fair value includes an amount of KKD6,033,187 which represents the Group's share of associated cumulative changes in fair values.

25.2 Foreign currency translation reserve

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Balance at 1 January	(20,908,175)	(13,873,269)
Other comprehensive income / (loss):		
Exchange differences arising from translation of foreign subsidiaries	57,949	(43,719)
Exchange difference arising on translation of foreign associates	(3,795,618)	(11,505,834)
Transferred to the statement of profit or loss on disposal / partial disposal of associates	1,546,777	4,513,536
Other comprehensive loss for the year	(2,180,892)	(7,035,917)
Balance at 31 December	(23,089,067)	(20,908,175)

25.3 Non-controlling interests

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Balance at 1 January	14,620,163	19,985,773
Adjustments arising on adoption of IFRS 9	-	(221,257)
Balance at 1 January	14,620,163	19,764,516
Amounts due to non-controlling interest on reduction of share capital by a subsidiary	(15,431)	(1,050,506)
Decrease in non-controlling interest due to purchase shares in a subsidiary	-	(839,071)
Other changes in non-controlling interest of subsidiaries	-	(205,660)
Decrease in non-controlling interest due to disposal of subsidiary	(9,524,025)	-
Dividend paid to non-controlling interest by a subsidiary	(45,638)	(291,216)
Transactions with non-controlling interests	(8,584,694)	(2,166,453)
Profit / (loss) for the year	842,768	(1,038,625)
Other comprehensive (loss) / income:		
- Net change in fair value of OCI investments	(240,271)	(1,703,998)
- Share of foreign currency translation reserve	-	975
Total other comprehensive loss for the year	(240,271)	(1,703,023)
Total comprehensive income / (loss) for the year	602,497	(2,739,548)
Balance at 31 December	6,035,469	14,620,163

Notes to the consolidated financial statements (continued)

26 Cumulative changes in fair value, foreign currency translation reserve and Non-controlling interests (Continued)

26.3.1 Decrease in non-controlling interests due to purchase of shares in a subsidiary

During the previous year, one of the local subsidiaries of the Group was required to acquire total non-controlling interests of CableSat for Satellite Services Company W.L.L. (a subsidiary of the Group), which equates to 40% of the share capital of the sub subsidiary for a consideration of KID 127,200, upon issuance of the verdicts of a court case against the Group. The proportionate carrying value of net assets on the date of acquisition amounting to KID 412,515 has been transferred out of non-controlling interest in the consolidated statement of changes in equity. Consequently, the difference of KID 81,855 between consideration and the non-controlling interests' share of net assets on the effective date has been recognised in retained earnings in the consolidated statement of changes in equity as of 31 December 2018.

27 Dividend distribution and Directors' remuneration

Subject to the requisite consent of the relevant authorities and approval from the General Assembly, the Parent Company's Board of Directors propose to distribute a cash dividend to shareholders equivalent to 5 fils per share for the year ended 31 December 2019 (2018: 5 Fils). The Board of Directors of the Parent Company proposed to distribute an amount of KID 26,000 as directors' remuneration for year ended 31 December 2019 (2018: KID 26,000) subject to approval of the General Assembly of the Parent Company's Shareholders.

The shareholders of the Parent Company at the Annual General Meeting held on 8 May 2019, the shareholders approved to distribute a cash dividend to shareholders equivalent to 5 fils per share amounting to KID 2,000,349 for the year ended 31 December 2018 and an amount of KID 26,000 as directors' remuneration for year ended 31 December 2018.

Notes to the consolidated financial statements (continued)

28 Segment analysis

The Group activities are consolidated in four main segments: Investments, Real Estate, IT services and Hotel operations. These segments are regularly reviewed by the Chief Operating Decision Maker (CODM) for resource allocation and performance assessment. In addition, the segments results, assets and liabilities are reported based on the geographical locations in which the Group operates in. Segment results include revenue and expense directly attributable to each reporting segment, as the Group does not have any inter-segment charges. Segment assets comprise those operating assets that are directly attributable to the segment.

Segment information for the years ended 31 December 2019 and 31 December 2018 are as follows:

	Investments		Real Estate		IT services		Hotel operations		Total	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	KD	(Revised) KD	KD	(Revised) KD	KD	(Revised) KD	KD	(Revised) KD	KD	(Revised) KD
Sales	-	-	-	-	10,828,061	11,461,250	2,882,900	2,837,052	13,889,821	14,378,252
Investments related income (realized, unrealized and dividend income)	4,729,173	3,336,497	-	-	-	-	-	-	4,729,173	3,336,497
Realized income	-	-	666,887	633,497	-	-	-	-	666,887	633,497
Realized gain on deposits/bank deposit of associates	1,578,423	4,182,944	-	-	-	-	-	-	1,578,423	4,182,944
Change in fair value of investment properties	-	-	11,150,306	(484,070)	-	-	-	-	11,150,306	(484,070)
Management and placement fee	19,010	19,889	-	-	-	-	-	-	19,010	19,889
Share of results of associate	16,757,510	8,737,944	11,072	(97,896)	-	-	-	-	16,757,510	8,737,944
Share of income	17,002,916	10,209,474	(461,737)	50,041	-	-	-	-	16,541,179	10,259,515
Cost of sales and services	-	-	-	-	10,826,051	11,451,290	2,062,900	2,009,000	12,888,951	13,460,290
General and administrative expenses	(3,227,185)	(2,067,015)	(187,078)	(35,083)	(9,484,423)	(7,501,923)	(1,063,361)	(1,143,782)	(10,857,784)	(11,411,756)
Operating profit/ (loss)	10,066,766	12,505,455	(918,819)	1,650	177,983	29,377	(25,601)	339,499	13,649,904	15,080,292
Translation, other income and foreign exchange (loss)/ gain	(672,291)	1,473,469	-	-	832,014	-	-	-	160,723	1,473,469
Impairments	-	(129,857)	(530,740)	(235,228)	(946,000)	(1,800,074)	-	-	(1,476,744)	(1,660,100)
Finance cost	(1,626,389)	(879,582)	-	-	(24,261)	(597,799)	(160,802)	-	(1,831,452)	(1,775,875)
Segment and (losses)/ gain continuing operations	6,747,075	20,867,066	(1,049,899)	(739,389)	41,116	(2,254,715)	(25,201)	239,455	10,624,001	24,637,765
Segment loss/gain from discontinued operations	-	-	15,456,681	83,819	-	-	-	-	15,456,681	83,819
Profit before KFSC Total and VEST (V)	11,657,075	26,927,382	(2,005,540)	(255,765)	41,116	(2,254,715)	(25,201)	239,455	26,127,382	24,721,375
Share of results of associate	80,916,834	73,537,320	14,012,965	43,022,800	0,763,447	11,145,367	4,500,809	2,611,777	98,230,076	127,308,689
Losses	(50,238,000)	(42,176,182)	(730,512)	(11,500,750)	(3,792,370)	(7,225,998)	(2,185,356)	(807,060)	(56,976,288)	(61,712,544)
Net Assets	50,657,801	27,560,238	(3,273,690)	31,502,101	4,071,088	3,923,792	2,951,489	2,034,717	71,253,795	36,180,005

Notes to the consolidated financial statements (continued)

28 Segment analysis (continued)

Geographical Segments:

The geographical segments are as follows:

	Profit/(loss) before taxes and directors' remunerations		Assets		Liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	KD	KD	KD	KD	KD	KD
Domestic and GCC Others	(1,473,456) 10,680,808	10,129,181 14,292,131	48,388,426 59,841,649	71,988,758 66,321,026	31,883,232 2,093,049	50,571,658 734,489
	9,167,350	24,721,315	108,230,075	131,308,585	36,976,280	61,712,544

29 Related party transactions

Related parties represent the Ultimate Parent Company, associates, directors and key management personnel of the Group, and other related parties such as subsidiaries of the Ultimate Parent Company (follow subsidiaries), major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control. Key management personnel include board of directors, chief executive officers (CEO) and principal officers of the Parent Company and its subsidiaries. Pricing policies and terms of these transactions are approved by the Group's management.

Significant related party transactions and balances included in the consolidated financial statements are as follows:

	31 Dec. 2019 KD	31 Dec 2018 KD
Consolidated statement of financial position:		
Due from related parties and Ultimate Parent Company (refer note 16)		
- Due from Ultimate Parent Company	2,457	2,271
- Due from associates	-	4,368,957
- Due from other related parties	118,844	530,609
- Accrued income and management fees	460,842	491,566
Due to related parties (refer note 21)		
- Due to Ultimate Parent Company	-	13,151
- Key management personnel and other related parties	452,000	1,362,040
- Associates	-	491,555
Loans payable to Ultimate Parent Company (note 22)	5,000,000	18,000,000
Transactions with related parties		
<i>Proceeds from disposal of subsidiaries (KD 5,250,558 – note 7.3)</i>		
- Retained investment property of the disposed subsidiary as a part of the disposal consideration (note 7.3)	2,890,638	-
- Cash consideration received (note 7.3)	3,060,000	-
<i>Proceeds from disposal of an associate (KD 857,938 – note 15.5)</i>		
- Transfer of investment at FVOCI (note 15.5)	188,000	-
- Transfer of investment property (note 15.5)	667,000	-
- Cash consideration (note 15.5)	32,938	-
Sale of investment properties to related parties (note 15.5)	-	1,355,675
Development and construction cost	-	3,253,376
Disposal of associate to Ultimate Parent Company (note 15)	3,000,000	-
Disposal of investments at FVOCI (note 17 a)	-	6,363,800
Investments in related parties		
Investments at fair value through profit or loss	33,971	206,919
Investments at FVOCI	8,839,809	6,540,905

Notes to the consolidated financial statements (continued)

29 Related party transactions (continued)

	31 Dec. 2019 KD	31 Dec. 2018 KD
Consolidated statement of profit or loss		
Management and placement fees	1,058	3,062
Finance costs - Ultimate Parent Company	649,623	13,151
Other income - reversal of provision (note 14 a)	200,000	-
Impairments on accounts receivable	-	35,970
Real estate operating cost	-	25,074
Loss on disposal of subsidiaries (note 7.3)	1,456,681	-
Gain on disposal of an association (note 1E.5)	81,322	-
Compensation of key management personnel of the Group:		
Salaries and other short term benefits	188,155	403,703
Remuneration for committees	330,000	124,000
End of service benefits	11,501	11,315
Board of directors' remuneration	120,000	128,203
Total key management compensation	657,656	1,025,618

30 Summary of financial assets and liabilities by category and fair value measurement

30.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the consolidated statement of financial position may also be categorized as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial assets at amortised cost		
• Cash and bank balances	2,530,470	5,280,522
• Short term deposits	6,928,943	4,520,325
• Warrants and sukuk investments	1,000,000	1,152,935
• Accounts receivable and other assets (note 16)	4,490,142	9,476,226
	13,490,563	20,770,008
Investments at fair value through profit or loss (note 15)	11,704,245	11,711,928
Investments at FVOCI (note 17)	18,188,088	15,080,187
	41,371,876	40,062,553
Financial liabilities (at amortised costs) :		
• Due to banks (note 13)	408,598	718,000
• Accounts payable and other liabilities (note 21)	8,157,560	10,046,901
• Borrowings (note 22)	27,352,021	40,109,077
	35,918,179	60,775,908

30.2 Fair value measurement

Fair value represents 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 Group measures financial instruments such as investments at fair value through profit or loss and investments at FVOCI and measurement details are disclosed in note 30.3 to the consolidated financial statements. In the opinion of the Group's management, except for certain long-term borrowing (refer note 22) the carrying amounts of all other financial assets and liabilities which are carried at amortised costs are considered a reasonable approximation of their fair values.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.2 Fair value measurement (continued)

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date (refer 30.4).

30.3 Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for assets or liabilities that are not based on observable market data (i.e., unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value on a recurring basis in the statement of consolidated financial position are grouped into the fair value hierarchy as follows:

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2019					
Financial assets at fair value:					
Investments at fair value through profit or loss					
-Quoted shares	a	11,116,688	-	-	11,116,688
-Unquoted shares	c	-	587,557	-	587,557
Investments at fair value through other comprehensive income					
-Quoted shares	a	9,081,667	-	-	9,081,667
-Unquoted shares	c	-	5,111,082	1,353,954	6,465,046
-Foreign funds	b	-	621,355	-	621,355
Total assets		20,198,355	6,319,994	1,353,954	27,872,313
31 December 2018					
Financial assets at fair value:					
Investments at fair value through profit or loss					
-Quoted shares	a	11,030,858	-	-	11,030,858
-Unquoted shares	c	-	651,072	-	651,072
Investments at fair value through other comprehensive income					
-Quoted shares	a	6,685,244	-	-	6,685,244
-Unquoted shares	c	-	5,775,244	2,105,163	7,880,437
-Foreign funds	b	-	1,304,806	-	1,304,806
Total assets		17,716,102	7,731,220	2,105,163	27,552,516

The methods and valuation techniques used for the purpose of measuring fair values, are unchanged compared to the previous year.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

Measurement at fair value

The Group's finance team performs valuations of financial instruments for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market based information.

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

Financial instruments in level 1, 2 and 3

a) Quoted shares

Quoted shares represent all listed equity securities which are publicly traded in stock exchanges. Where quoted prices in an active market are available, the fair value of such investments have been determined by reference to their quoted bid prices at the reporting date (Level 1) and if the market for an investment is not active, the Group has established fair value by using valuation techniques.

Financial instruments in level 2 & 3

b) Foreign funds (level 2)

The underlying investments of foreign funds primarily comprise of foreign quoted and unquoted securities. Information for these investments is limited to periodic financial reports provided by the investment managers. These investments are carried at net asset values reported by the investment managers. Due to the nature of these investments, the net asset values reported by the investment managers represent the best estimate of fair values available for these investments.

c) Unquoted shares (level 2 and 3)

The consolidated financial statements include buildings in realised securities which are measured at fair value. Fair value is estimated using a discounted cash flow model or other valuation technique which includes some assumptions that are not supportable by observable market prices or rates.

Level 3 fair value measurements

The Group's financial assets classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
As at 1 January	2,105,193	16,021,302
Changes in fair value during the year recognised in other comprehensive income	(793,894)	(600,439)
Reclassified from investments in associates due to disposal	42,862	-
Additions	-	45,000
Transfer to level 1 and 2	-	(7,064,463)
Disposals	-	(5,108,600)
Transferred from investments carried at cost	-	1,782,123
As at 31 December	1,353,964	2,105,933

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.3 Fair value hierarchy (continued)

Level 3 Fair value measurements (continued)

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant unobservable inputs.

31 December 2019

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted Shares	DCF Method	Long term growth rate for cash flows for subsequent years	3%	Higher the growth rate, higher the fair value.
		WACC	11.8%	Higher the WACC, lower the fair value.
		Discount for lack of marketability	16%	Higher the discount rate, lower the value.

31 December 2018

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted Shares	DCF Method	Long term growth rate for cash flows for subsequent years	3.3%	Higher the growth rate, higher the fair value.
		WACC	10%-16%	Higher the WACC, lower the fair value.
		Discount for lack of marketability	10%-16%	Higher the discount rate, lower the value.

The impact on profit or loss and other comprehensive income would be immaterial if the adverse risk variable used to fair value the level 3 investments were changed by 5%.

Discount for lack of marketability represents the amount that the Group has determined that market participants would take into account these discounts when pricing the investments.

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.4 Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2019:

	Level 1 KID	Level 2 KID	Level 3 KID	Total KID
Investment properties				
- Land and buildings in Kuwait	-	-	10,622,000	10,622,000
- Land and buildings in Jordan and JAC	-	-	2,402,297	2,402,297
- Building in London	-	-	870,913	870,913
	-	-	13,895,210	13,895,210

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2018:

	Level 1 KID	Level 2 KID	Level 3 KID	Total KID
Investment properties				
- Land and buildings in Kuwait	-	-	18,809,000	18,809,000
- Properties under development in Kuwait	-	-	8,528,000	8,528,000
- Properties under development outside Kuwait	-	-	2,890,000	2,890,000
- Land in Jordan	-	-	672,855	672,855
- Building in London	-	-	643,002	643,002
	-	-	31,738,437	31,738,437

The buildings represent rental properties on freehold land categorized as "Investment Lands" (i.e. land which can be used to construct multiple residential unit buildings, commercial units, apartments, villas, Duplex and Studios), in Kuwait. The fair value of the investment property has been determined based on valuations obtained from independent valuers, who are specialized in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management.

One of these valuers is a local bank (for local investment properties) who has valued the investment properties using primarily two methods, one of which is the yield method and other being a combination of the market comparison approach for the land and cost minus depreciation approach for the buildings. The other valuer who is a local/foreign reputable valuer has also valued the investment properties primarily by using a combination of the methods noted above. When the market comparison approach is used adjustments have been incorporated for factors specific to the land in question, including plot size, location, construction /development cost and current use. For the valuation purpose for properties in Kuwait, the Group has selected the lower value of the two valuations (2018: lower of two valuations). Further information regarding the level 3 fair value measurements is set out in the table below:

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.4 Fair value measurement of non-financial assets (continued)

31 December 2019

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Kuwait (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated market price for land (per sqm)	KD1,148 – KD7,250	The higher the price per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD3.86 – KD9.05	The higher the rent per square meter, the higher the fair value
		Yield rate	6.74% to 6.79%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Building in London and UAE	Yield method	Average monthly rent (per sqm)	KD2.24 – KD12.4	The higher the rent per square meter, the higher the fair value
		Yield rate	8.2% to 7.98%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate the lower the fair value
Freehold land – Kuwait	Market comparison approach	Estimated market price for land (per sqm)	KD1,150	The higher the price per square meter, the higher the fair value
Freehold land – Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD38.35	The higher the price per square meter, the higher the fair value

Notes to the consolidated financial statements (continued)

30 Summary of financial assets and liabilities by category and fair value measurement (continued)

30.4 Fair value measurement of non-financial assets (Continued)

31 December 2018

Description	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Building in Kuwait (rental properties)	Yield method and Market comparison approach for land & cost less depreciation for buildings	Estimated market price for land (per sqm)	KD1,162– KD8,783	The higher the price per square meter, the higher the fair value
		Average monthly rent (per sqm)	KD3.9 – KD9.6	The higher the rent per square meter, the higher the fair value
		Yield rate	6.38% to 7.78%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate, the lower the fair value
Building in Jordan	Yield method	Average monthly rent (per sqm)	KD11.85	The higher the rent per square meter, the higher the fair value
		Yield rate	8.1%	The higher the yield rate, the lower the value
		Vacancy rate	10%	The higher the vacancy rate, the lower the fair value
Freehold land – Kuwait	Market comparison approach	Estimated market price for land (per sqm)	KD7,800	The higher the price per square meter, the higher the fair value
Freehold land – UAE and Jordan	Market comparison approach	Estimated market price for land (per sqm)	KD35 to KD140	The higher the price per square meter, the higher the fair value

Level 3 Fair value measurements

The Group measurement of investment properties classified in level 3 uses valuation techniques inputs that are not based on observable market data. The movement in the investment properties is disclosed in note 19.

31 Risk management objectives and policies

The Group's principal financial liabilities comprise of borrowings, due to banks and accounts payable and other liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (Continued)

The Group has various financial assets such as accounts receivable and other assets, cash and bank balances, short term deposits, wata and sukuk investments and investments securities which arise directly from operations.

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Parent Company's Board of Directors sets out policies for managing each of these risks as discussed below.

The Group does not use derivative financial instruments.

31.1 Market risk

The significant financial risks to which the Group is exposed to are described below.

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle East and few Asian countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar and UAE Dirham. The Parent Company's consolidated statement of financial position can be affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are minimized.

Generally, the Group's risk management procedure distinguish short-term foreign currency cash flows (due within twelve months) from longer term cash flows. Foreign currency risk is managed on the basis of limits determined by the Parent Company's board of directors and a continuous assessment of the Group's open positions.

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated into Kuwaiti Dinars at the closing rates are as follows:

	2019 Equivalent KD	2018 Equivalent KD
US Dollar	1,414,835	1,224,238
UAE Dirhams	144,935	2,411,528

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, a reasonable possible change in exchange rates of the foreign currencies noted above would not have a significant impact on the Group's consolidated profit or loss.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group is exposed to interest rate risk with respect to due to banks and borrowings which are at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate short term deposits and borrowings.

Positions are monitored regularly to ensure positions are maintained within established limits.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (Continued)

31.1 Market risk (continued)

b) Interest rate risk (continued)

The Group's interest rate risk sensitivity position, based on the contractual re-pricing or maturity dates of assets and liabilities, whichever dates are earlier, is as follows:

At 31 December 2018	Up to 1 month KID	1-3 months KID	3-12 Months KID	Over 12 Months KID	Non-Interest bearing items KID	Total KID
ASSETS						
Cash and bank balances	3,812	-	-	-	2,076,666	2,080,478
Short term deposits	4,378,843	-	6,250,000	-	-	10,628,843
Mutafa and sukuk investments	1,000,000	-	-	-	-	1,000,000
Investments at fair value through profit or loss	-	-	-	-	11,704,245	11,704,245
Accounts receivable and other assets	-	-	-	-	4,445,898	4,445,898
Inventory	-	-	-	-	527,240	527,240
Investments at FVOCI	-	-	-	-	16,188,068	16,188,068
Investment in associates	-	-	-	-	46,722,330	46,722,330
Investment properties	-	-	-	-	13,896,210	13,896,210
Property and equipment	-	-	-	-	1,960,890	1,960,890
Right of use of assets	-	-	-	-	1,432,730	1,432,730
Goodwill and other intangible assets	-	-	-	-	2,164,019	2,164,019
	6,382,655	-	6,250,000	-	101,597,220	108,230,078
LIABILITIES						
Borrowings and due to banks	408,698	212,146	5,160,500	21,999,876	-	27,780,619
Accounts payable and other liabilities	-	-	232,439	1,267,223	6,657,398	8,189,660
Provision for end of service indemnity	-	-	-	-	1,058,101	1,058,101
	408,698	212,146	5,392,939	23,267,099	7,715,399	36,876,282
Total interest rate sensitivity Gap	4,974,267	(212,146)	(4,132,439)	(23,267,099)		
Cumulative interest rate sensitivity gap	4,974,267	4,762,111	620,672	(22,627,426)		
At 31 December 2017						
ASSETS						
Cash and bank balances	5,417	-	-	-	5,275,105	5,280,522
Short term deposits	3,250,000	1,510,525	-	-	-	4,760,525
Mutafa and sukuk investments	1,050,000	-	-	152,366	-	1,202,366
Investments at fair value through profit or loss	-	-	-	-	11,711,920	11,711,920
Accounts receivable and other assets	-	-	-	-	9,815,321	9,815,321
Inventory	-	-	-	-	509,936	509,936
Investments at FVOCI	-	-	-	-	15,860,507	15,860,507
Investment in associates	-	-	-	-	44,053,152	44,053,152
Investment properties	-	-	-	-	21,736,975	21,736,975
Property and equipment	-	-	-	-	2,574,004	2,574,004
Goodwill and other intangible assets	-	-	-	-	3,352,770	3,352,770
	4,265,417	1,510,525	-	152,366	125,288,876	131,209,583

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (Continued)

31.1 Market risk (continued)

b) Interest rate risk (continued)

At 31 December 2018	Up to 1 month KD	1-3 months KD	3-12 Months KD	Over 12 months KD	Non-interest bearing items KD	Total KD
LIABILITIES						
Borrowings and due to banks	957,862	379,000	10,239,127	38,249,950	-	49,825,839
Accounts payable and other liabilities	-	-	-	-	10,949,601	10,949,601
Provision for end of service indemnity	-	-	-	-	939,744	939,744
	<u>957,862</u>	<u>379,000</u>	<u>10,239,127</u>	<u>38,249,950</u>	<u>11,889,345</u>	<u>61,715,244</u>
Total interest rate sensitivity liab	3,297,555	1,261,325	(10,739,127)	(38,036,985)		
Cumulative interest rate sensitivity gap	<u>3,297,555</u>	<u>4,528,850</u>	<u>(5,710,247)</u>	<u>(43,907,732)</u>		

The Group does not have any off balance sheet financial instrument which are used to manage the interest rate risk. The following table illustrates the sensitivity of the interest-bearing financial instruments on the profit for the year to a reasonable possible change in interest rates with effect from the beginning of the year. Based on observation of current market conditions it has been assumed that a reasonable possible change in the interest rates would be +25 and -25 basis points for KIBOR interest rates for the current year (2018. Interest rate +25 and -25 for basis point for KIBOR). The calculation is based on the Group's financial instruments held at reporting date. All other variables are held constant. There is no other direct impact on Group's equity.

	Increase in interest rates		Decrease in interest rates	
	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Profit for the year	(84,907)	112,884	84,907	112,884

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments which are primarily located in Kuwait, USA, KSA and Jordan. Equity investments are classified either as investments carried at fair value through profit or loss (including trading securities) or investments at FVOCI securities.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.1 Market risk (continued)

c) Price risk (continued)

The price risk sensitivity is determined at the rate of 10% on the exposure to equity price risks at the reporting date. If equity prices had been higher by 10%, the effect on the profit for the year and equity for the year ended 31 December would have been as follows, with all other variables held constant:

A positive number below indicates an increase in profit/equity, when the equity prices increase by the above mentioned percentages.

	Profit for the year		Other Comprehensive Income	
	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD
Investments at fair value through profit or loss	1,111,669	1,106,086	-	-
Investments at FVOCI	-	-	908,187	1,247,049
	<u>1,111,669</u>	<u>1,106,086</u>	<u>908,187</u>	<u>1,247,049</u>

If there was a negative change in equity prices in accordance with the above mentioned equity price risk sensitivity assumptions (10%), there would be an equal and opposite impact on the profit and other comprehensive income for the year, and the balances shown above would be negative.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit policy and exposure to credit risk is monitored on an ongoing basis. The Group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of its activities.

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognized at the reporting date, as summarized below:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Bank balances	2,678,616	5,274,017
Short term deposits	5,628,949	4,880,325
Wakala and sukuk investments	1,000,000	1,142,860
Accounts receivable and other assets (refer note 18)	4,790,142	9,478,228
Investments at FVTPL	687,867	651,070
Investments at FVOCI	621,355	1,304,906
	<u>14,797,519</u>	<u>22,720,009</u>

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.2 Credit risk (continued)

Except for the wakala investment referred to in note 14 and accounts receivable and other assets referred to in note 16, none of the above financial assets are past due or impaired. The Group continuously monitors defaults of customers and other counterparty, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and their counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are held are past due not impaired, review are of good credit quality.

None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. The credit risk for cash and bank balances, short term deposits and amounts due from related parties is considered negligible, since the counterparties are reputable financial institutions/ entities with high credit quality. Information on other significant concentrations of credit risk is set out in note 31.5.

31.3 Concentration of financial assets and liabilities

The distribution of financial assets and financial liabilities by geographic region is as follows:

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KD	Total KD
At 31 December 2019					
Cash and bank balances	1,587,583	581,297	1,018	-	2,680,478
Short term deposits	5,629,943	-	-	-	5,629,943
Wakala and sukuk investments	1,000,000	-	-	-	1,000,000
Investments at fair value through profit or loss	6,875,479	4,072,482	766,284	-	11,704,245
Accounts receivable and other assets (note 16)	3,283,708	591,573	459,946	11,825	4,290,142
Investments at FVOCI	10,086,770	3,664,833	2,184,687	202,770	16,168,060
	28,861,561	8,880,105	3,402,535	217,585	41,371,076
Due to banks	408,590	-	-	-	408,590
Accounts payable and other liabilities	6,073,566	2,084,230	-	784	8,157,580
Borrowings	27,352,021	-	-	-	27,352,021
	33,833,185	2,084,230	-	784	35,918,179

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.3 Concentration of assets (continued)

	Kuwait KD	Middle East KD	Asia & Africa KD	Europe & USA KID	Total KD
At 31 December 2018					
Cash and bank balances	4,642,416	630,759	7,847	-	5,280,922
Short term deposits	4,862,326	-	-	-	4,862,326
Wakala and sukuk investments	1,112,905	-	-	-	1,152,985
Investments at fair value through profit or loss	8,708,758	2,659,782	1,350,276	13,103	11,711,923
Accounts receivable and other assets (note 16)	5,072,967	3,093,392	460,326	90,041	9,475,226
Investments at FVOCI	7,808,208	4,121,117	3,064,785	638,894	15,632,937
	<u>36,009,420</u>	<u>11,509,549</u>	<u>4,882,737</u>	<u>895,838</u>	<u>48,382,553</u>
Due to banks	716,852	-	-	-	716,852
Accounts payable and other liabilities	10,215,371	722,384	-	12,106	10,949,861
Borrowings	49,109,677	-	-	-	49,109,677
	<u>60,041,900</u>	<u>722,384</u>	<u>-</u>	<u>12,106</u>	<u>60,776,690</u>

31.4 Liquidity risk

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

The table below summarizes the maturity profile of the Group's assets and liabilities. Except for investments carried at fair value through profit or loss and fair value through other comprehensive income investments, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date.

The maturity profile for investments carried at fair value through profit or loss, fair value through other comprehensive income and investment properties is determined based on management's estimate of liquidation of those investments.

Maturity profile of assets and liabilities are as follows:

At 31 December 2019	< 1 year KD	Over 1 year KD	Total KD
ASSETS			
Cash and bank balances	2,580,478	-	2,580,478
Short term deposits	5,678,843	-	5,678,843
Wakala and sukuk investments	1,000,000	-	1,000,000
Investment at fair value through profit or loss	11,704,245	-	11,704,245
Accounts receivable and other assets	4,445,098	-	4,445,098
Inventories	527,240	-	527,240
Investments at FVOCI	1,731,636	14,435,439	16,169,069
Investment in associates	-	48,722,098	48,722,098
Investment properties	2,564,936	11,330,280	13,895,216
Property and equipment	-	1,960,898	1,960,898
Right of Use of assets	-	1,432,738	1,432,738
Goodwill and other intangible assets	-	2,164,019	2,164,019
	<u>30,443,359</u>	<u>78,046,706</u>	<u>108,230,075</u>

Notes to the consolidated financial statements (continued)

31 Risk management objectives and policies (continued)

31.4 Liquidity risk (continued)

At 31 December 2019	1 year KD	Over 1 year KD	Total KD
LIABILITIES			
Accounts payable and other liabilities	6,890,337	1,267,223	8,157,560
Due to banks	408,598	-	408,598
Borrowings	5,382,148	21,989,875	27,362,023
Provision for end of service indemnity	-	1,058,101	1,058,101
	<u>12,681,083</u>	<u>24,315,199</u>	<u>36,976,282</u>
At 31 December 2018			
ASSETS			
Cash and bank balances	5,280,522	-	5,280,522
Short term deposits	4,860,325	-	4,860,325
Wakala and sukuk investments	1,000,000	102,000	1,102,000
Investment at fair value through profit or loss	11,711,928	-	11,711,928
Accounts receivable and other assets	9,913,301	-	9,913,301
Intangibles	509,000	-	509,000
Investments at FVOCI	2,692,772	13,277,016	15,800,597
Investment in associates	4,808,047	38,167,108	44,115,315
Investment properties	-	51,750,970	51,750,970
Property and equipment	-	2,814,084	2,814,084
Goodwill and Intangible assets	-	3,392,778	3,392,778
	<u>43,764,890</u>	<u>90,543,703</u>	<u>131,308,593</u>
LIABILITIES			
Accounts payable and other liabilities	10,940,861	-	10,940,861
Due to banks	715,882	-	715,882
Borrowings	10,059,127	33,249,950	43,309,077
Provision for end of service indemnity	-	936,744	936,744
	<u>21,715,870</u>	<u>34,186,694</u>	<u>55,902,564</u>

The contractual maturity of financial liabilities based on undiscounted cash flows is as follows:

31 December 2019	Up to 1 month KD	1-3 Months KD	3-12 months KD	1-5 years KD	Total KD
Financial liabilities					
Accounts payable and other liabilities	-	-	6,890,337	1,267,223	8,157,560
Borrowings and due to banks	408,598	471,724	6,122,425	21,634,569	28,637,316
	<u>408,598</u>	<u>471,724</u>	<u>13,012,762</u>	<u>22,901,792</u>	<u>36,794,876</u>
31 December 2018					
Financial liabilities					
Accounts payable and other liabilities	-	-	10,940,861	-	10,940,861
Borrowings and due to banks	957,802	833,202	11,668,071	43,652,126	56,447,061
	<u>957,802</u>	<u>833,202</u>	<u>22,608,932</u>	<u>43,652,126</u>	<u>68,491,922</u>

Notes to the consolidated financial statements (continued)

32 Capital risk management

The Group's capital risk management objectives are to ensure that the Group maintains a strong credit rating and healthy 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 the amount of dividends paid to shareholders, buy back shares, issue new shares or sell assets to reduce debt. See note 22.

The Parent Company is required to maintain a minimum share capital of KD15 million as it is registered as an investment company regulated by the Central Bank of Kuwait.

The capital structure of the Group consists of the following:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Borrowings (refer note 22)	27,352,021	49,109,077
Less: Cash and cash equivalents (refer note 12)	(6,544,833)	(9,417,855)
Net debt	20,807,188	39,691,222
Total equity	71,253,795	59,595,039

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Net debt	20,807,188	39,691,222
Total equity	71,253,795	59,595,039
Net debt to total equity ratio	29%	67%

33 Fiduciary assets

The Group manages mutual funds and portfolios on behalf of its Ultimate Parent Company, other related parties and outsiders, and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2019 amounted to K.376,986,491 (2018: KD23,687,276) of which assets managed on behalf of its Ultimate Parent Company and other related parties amounted to KD19,681,561 (2018: KD19,595,219).

34 Contingent liabilities and capital commitments

Contingent liabilities

On 1 December 2011, the Parent Company's Jordanian subsidiary, Near Jordanian Kuwaiti Financial Investment Company Limited ("the Seller") disposed of its entire equity interest in one of its Jordanian subsidiary (Near Jordanian Kuwaiti Transport Company (NKC)) to nine individual buyers ("the Buyers"). Subsequent to the transfer of shares and control to the Buyers, they have filed a case against the seller claiming misrepresentation in valuing subsidiary assets at JD4,585,000 (KD1,023,478). The subsidiary's management and legal advisor believe that the favourable decision of the court is probable; hence, no provision for any effects that may result has been made in the consolidated financial statements.

Notes to the consolidated financial statements (continued)

34 Contingent liabilities and capital commitments (continued)

Capital commitments

At the reporting date the Group had commitments of KOD1,038,615 towards purchase of investments and development of investment properties (2018: KOD4,155,306) and guarantees amounting to KOD1,169,511 (2018: KOD2,711,151).

35 Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Borrowings Due after one year KOD	Borrowings due within one year KOD	Total KOD
1 January 2018	38,249,950	10,859,127	49,109,077
Cash flows:			
- Repayment	(1,110,000)	(8,926,901)	(10,036,901)
Non-cash			
- In kind settlement	(3,000,000)	-	(3,000,000)
- Reclassification	(5,200,000)	6,200,000	-
- Disposal of subsidiary	(6,969,075)	1,770,000	(5,199,075)
31 December 2018	21,980,875	5,362,146	27,343,021
1 January 2019	7,451,600	92,321,441	99,773,041
Cash flows:			
- Repayment	-	(50,546,708)	(50,546,708)
- Proceeds	16,825,000	-	16,825,000
Non-cash			
- Reclassification	(3,873,020)	(13,872,025)	(17,745,045)
- Discount on settlement	-	(17,040,588)	(17,040,588)
31 December 2019	36,249,950	10,859,127	47,109,077

36 Comparative amounts

Certain comparative amounts have been reclassified to conform to the presentation in the current year. Such reclassification does not affect previously reported net assets, net equity, net results for the year or net income in cash and cash equivalents.