

**THE SECURITIES HOUSE K.S.C.P. AND SUBSIDIARIES**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**  
**(UNAUDITED)**

**30 JUNE 2019**

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**The Securities House K.S.C.P.  
Kuwait**

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS**

**Report on Review of Interim Condensed Consolidated Financial Information**

*Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of The Securities House K.S.C.P (the Parent Company) and its subsidiaries (together called "the Group") as at 30 June 2019 and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

*Scope of Review*

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

*Conclusion*

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

**Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the accompanying interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations, and the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the six-month period 30 June 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



**Talal Y. Al-Muzaini**  
**License No. 209A**  
**Deloitte & Touche**  
**Al-Wazzan & Co.**

Kuwait  
6 August 2019

**The Securities House K.S.C.P. and Subsidiaries  
Kuwait**

**Interim Condensed Consolidated Statement of Income (Unaudited)  
For the period ended 30 June 2019**

		Kuwaiti Dinars			
		Three months ended 30 June		Six months ended 30 June	
Notes		2019	2018	2019	2018
<b>INCOME</b>					
<b>From investment activities</b>					
	Management fee income	<b>395,842</b>	10,273	<b>1,638,309</b>	20,510
	Dividend income	<b>171,717</b>	46,172	<b>221,884</b>	65,733
	Realised gain on sale of investments at fair value through profit or loss	<b>170,179</b>	-	<b>173,327</b>	17,595
	Unrealised (loss)/gain on investments at fair value through profit or loss	<b>(39,371)</b>	34,121	<b>256,502</b>	22,481
	Income from investment activities	<b>698,367</b>	90,566	<b>2,290,022</b>	126,319
<b>From commercial activities</b>					
	Sales of goods and services	<b>579,255</b>	-	<b>1,280,850</b>	-
	Operating costs	<b>(750,275)</b>	-	<b>(1,492,059)</b>	-
	Operating loss from commercial activities	<b>(171,020)</b>	-	<b>(211,209)</b>	-
	Other income	<b>27,643</b>	(4,280)	<b>257,837</b>	4,199
	<b>Total income</b>	<b>554,990</b>	86,286	<b>2,336,650</b>	130,518
<b>EXPENSES</b>					
	Staff costs	<b>392,175</b>	147,628	<b>1,036,798</b>	358,109
	General and administration expenses	<b>273,212</b>	89,044	<b>492,886</b>	163,280
	Depreciation	<b>53,363</b>	10,500	<b>103,249</b>	21,000
	<b>Total expenses</b>	<b>718,750</b>	247,172	<b>1,632,933</b>	542,389
	<b>(Loss)/profit before share of results, amortisation, finance cost and taxation</b>	<b>(163,760)</b>	(160,886)	<b>703,717</b>	(411,871)
	Share in results of associates	6 <b>44,472</b>	(141,299)	<b>(4,080)</b>	538,434
	Recognition of negative goodwill of investment in an associate	6 <b>-</b>	32,175	<b>-</b>	32,175
	Amortisation of intangibles	<b>(50,505)</b>	-	<b>(212,142)</b>	-
	Finance cost on lease liabilities	<b>(21,308)</b>	-	<b>(24,882)</b>	-
	Contribution to Kuwait Foundation of Advancement of Sciences	<b>-</b>	63	<b>-</b>	-
	National Labour Support Tax (NLST)	<b>-</b>	608	<b>-</b>	-
	Zakat	<b>-</b>	243	<b>-</b>	-
	<b>(Loss)/profit for the period</b>	<b>(191,101)</b>	(269,096)	<b>462,613</b>	158,738
<b>Attributable to:</b>					
	Equity holders of the Parent Company	<b>(186,915)</b>	(268,963)	<b>100,194</b>	158,884
	Non-controlling interests	<b>(4,186)</b>	(133)	<b>362,419</b>	(146)
		<b>(191,101)</b>	(269,096)	<b>462,613</b>	158,738
	<b>Basic and diluted (loss)/earnings per share attributable to equity holders of the Parent Company</b>	4 <b>(0.4) fils</b>	(0.6) fils	<b>0.2 fils</b>	0.3 fils

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**The Securities House K.S.C.P. and Subsidiaries  
Kuwait**

**Interim Condensed Consolidated Statement of Comprehensive Income (Unaudited)  
For the period ended 30 June 2019**


	Note	Kuwaiti Dinars			
		Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
<b>(Loss)/profit for the period</b>		<b>(191,101)</b>	(269,096)	<b>462,613</b>	158,738
<b>Other comprehensive (loss)/income:</b>					
<i>Other comprehensive (loss)/income to be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>					
Foreign currency translation adjustment	6	<b>(789,210)</b>	(1,757,793)	<b>7,628</b>	(494,704)
<i>Items that will not be reclassified to interim condensed consolidated statement of income:</i>					
Cumulative changes in fair value of investments through other comprehensive income		<b>(22,077)</b>	-	<b>(22,077)</b>	-
Share in other comprehensive income/(loss) of associates	6	<b>41,751</b>	(258,723)	<b>104,191</b>	(607,006)
<b>Other comprehensive (loss)/income for the period</b>		<b>(769,536)</b>	(2,016,516)	<b>89,742</b>	(1,101,710)
<b>Total comprehensive (loss)/income for the period</b>		<b>(960,637)</b>	(2,285,612)	<b>552,355</b>	(942,972)
<b>Attributable to:</b>					
Equity holders of the Parent Company		<b>(947,196)</b>	(2,285,554)	<b>199,191</b>	(942,852)
Non-controlling interests		<b>(13,441)</b>	(58)	<b>353,164</b>	(120)
		<b>(960,637)</b>	(2,285,612)	<b>552,355</b>	(942,972)

The accompanying notes form an integral part of this interim condensed consolidated financial information.

Interim Condensed Consolidated Statement of Financial Position (Unaudited)  
As at 30 June 2019

	Notes	Kuwaiti Dinars		
		30 June 2019 (unaudited)	31 December 2018 (audited) Restated	30 June 2018 (unaudited)
<b>ASSETS</b>				
Bank balances and cash	5	1,326,024	1,739,372	444,484
Short-term murabaha investments	5	2,640,000	4,890,000	150,000
Accounts receivable and prepayments		1,363,379	1,109,823	598,364
Investments at fair value through profit or loss		5,790,418	4,672,187	2,597,162
Investments at fair value through other comprehensive income		3,959,016	4,039,217	1,952,542
Investment property		2,016,548	1,895,066	-
Investment in associates and a joint venture	6	31,846,355	29,920,348	39,090,801
Intangible assets	7	4,728,870	4,750,023	-
Goodwill	7	2,306,711	2,306,711	-
Property and equipment		1,661,101	465,869	147,000
<b>TOTAL ASSETS</b>		<b>57,638,422</b>	<b>55,788,616</b>	<b>44,980,353</b>
<b>EQUITY</b>				
Share capital	8	45,000,000	45,000,000	45,000,000
Statutory reserve		101,480	101,480	80,999
Fair value reserve		(1,273,621)	(1,251,544)	-
Foreign currency translation reserve		(3,715,289)	(3,732,172)	(3,008,414)
Cumulative changes in equity of associates		(275,403)	(379,594)	(765,895)
Retained earnings		934,101	833,907	844,959
<b>Equity attributable to equity holders of the Parent Company</b>		<b>40,771,268</b>	<b>40,572,077</b>	<b>42,151,649</b>
Non-controlling interests		10,645,987	10,308,094	10,527
<b>TOTAL EQUITY</b>		<b>51,417,255</b>	<b>50,880,171</b>	<b>42,162,176</b>
<b>LIABILITIES</b>				
Accounts payable and accruals		4,128,564	4,121,887	2,588,550
Lease liabilities		1,206,309	-	-
Employees' end of service benefits		886,294	786,558	229,627
<b>TOTAL LIABILITIES</b>		<b>6,221,167</b>	<b>4,908,445</b>	<b>2,818,177</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>57,638,422</b>	<b>55,788,616</b>	<b>44,980,353</b>

The accompanying notes form an integral part of this interim condensed consolidated financial information.

  
Ibrahim Yousef Al Ghanim  
Chairman

  
Fahad Faisal Boodai  
Vice Chairman and Chief Executive Officer

**Interim Condensed Consolidated Statement of Cash Flows (Unaudited)  
For the period ended 30 June 2019**

	Notes	Kuwaiti Dinars	
		Six months ended 30 June	
		2019	2018
<b>OPERATING ACTIVITIES</b>			
Profit for the period		<b>462,613</b>	158,738
Adjustments for:			
Dividend income		<b>(221,884)</b>	(65,733)
Realised gain on sale of investments at fair value through profit or loss		<b>(173,327)</b>	(17,595)
Unrealised gain on investments at fair value through profit or loss		<b>(256,502)</b>	(22,481)
Share in results of associates	6	<b>4,080</b>	(538,434)
Negative goodwill of an associate	6	-	(32,175)
Amortization of intangibles		<b>212,142</b>	-
Depreciation		<b>235,543</b>	21,000
Finance cost on lease liabilities		<b>45,246</b>	-
Provision for employees' end of service benefits		<b>99,736</b>	30,520
		<b>407,647</b>	(466,160)
Changes in operating assets and liabilities:			
Accounts receivable and prepayments		<b>(328,728)</b>	(20,357)
Investments at fair value through profit or loss		<b>(688,402)</b>	98,093
Accounts payable and accruals		<b>(120,295)</b>	12,162
Cash used in operations		<b>(729,778)</b>	(376,262)
Employees' end of service benefits paid		-	-
Net cash flows used in operating activities		<b>(729,778)</b>	(376,262)
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of investments at fair value through other comprehensive income		<b>48,869</b>	61,860
Additions to investment property		<b>(121,482)</b>	-
Investment in an associate and a joint venture	6	<b>(1,805,000)</b>	(35,597)
Dividend income		<b>221,884</b>	65,733
Capital reduction of an associate	6	-	1,485,000
Purchase of Property and equipment		<b>(69,631)</b>	-
Net cash flows (used in)/from investing activities		<b>(1,725,360)</b>	1,576,996
<b>FINANCING ACTIVITIES</b>			
Repayment of lease liabilities		<b>(200,081)</b>	-
Payment of share capital reduction		-	(3,000,000)
Payment to non-controlling interests on purchase of interest in a subsidiary		<b>(8,144)</b>	-
Net cash flows used in financing activities		<b>(208,225)</b>	(3,000,000)
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>			
Transition adjustment on adoption of IFRS 9 at 1 January 2019		-	(2,981)
Net foreign exchange difference		<b>15</b>	26
Cash and cash equivalents at 1 January		<b>6,629,372</b>	2,396,705
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	5	<b>3,966,024</b>	594,484

The accompanying notes form an integral part of this interim condensed consolidated financial information.

**The Securities House K.S.C.P. and Subsidiaries  
Kuwait**

**Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)  
For the period ended 30 June 2019**

	Kuwaiti Dinars							Non- controlling interests	Total equity
	Attributable to equity holders of the Parent Company								
	Share capital	Statutory reserve	Fair value reserve	Foreign currency translation reserve	Cumulative changes in equity of associates	Retained earnings	Sub total		
As at 1 January 2019 - as previously reported	45,000,000	101,480	(1,251,544)	(3,732,172)	(379,594)	833,907	40,572,077	8,022,090	48,594,167
Non-controlling interests share in intangible assets (Note 7)	-	-	-	-	-	-	-	2,286,004	2,286,004
Balance as at 1 January 2019 (restated)	45,000,000	101,480	(1,251,544)	(3,732,172)	(379,594)	833,907	40,572,077	10,308,094	50,880,171
Profit for the period	-	-	-	-	-	100,194	100,194	362,419	462,613
Other comprehensive (loss)/income	-	-	(22,077)	16,883	104,191	-	98,997	(9,255)	89,742
Total comprehensive (loss)/income for the period	-	-	(22,077)	16,883	104,191	100,194	199,191	353,164	552,355
Net movement on non-controlling interests	-	-	-	-	-	-	-	(15,271)	(15,271)
<b>As at 30 June 2019</b>	<b>45,000,000</b>	<b>101,480</b>	<b>(1,273,621)</b>	<b>(3,715,289)</b>	<b>(275,403)</b>	<b>934,101</b>	<b>40,771,268</b>	<b>10,645,987</b>	<b>51,417,255</b>
As at 1 January 2018	48,000,000	80,999	-	(2,513,684)	(158,889)	698,751	46,107,177	10,674	46,117,851
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	-	-	(12,676)	(12,676)	(27)	(12,703)
Balance as at 1 January 2018 (restated)	48,000,000	80,999	-	(2,513,684)	(158,889)	686,075	46,094,501	10,647	46,105,148
Profit/(loss) for the period	-	-	-	-	-	158,884	158,884	(146)	158,738
Other comprehensive (loss)/income	-	-	-	(494,730)	(607,006)	-	(1,101,736)	26	(1,101,710)
Total comprehensive (loss)/income for the period	-	-	-	(494,730)	(607,006)	158,884	(942,852)	(120)	(942,972)
Share capital reduction	(3,000,000)	-	-	-	-	-	(3,000,000)	-	(3,000,000)
As at 30 June 2018	45,000,000	80,999	-	(3,008,414)	(765,895)	844,959	42,151,649	10,527	42,162,176

The accompanying notes form an integral part of this interim condensed consolidated financial information.



**1. Corporate information**

The interim condensed consolidated financial information of The Securities House K.S.C.P. (the "Parent Company") and subsidiaries (collectively the "Group") for the six months ended 30 June 2019 were authorised for issue by the Board of Directors on 06 August 2019.

The Parent Company is a Kuwaiti public shareholding company incorporated and registered in Kuwait on 28 March 1982 and is engaged in dealing and brokerage in securities on its behalf and on behalf of third parties, providing financial advisory and research services, establishing financial, real estate, industrial and multipurpose investment funds and companies, fund management on behalf of third parties, investment in real estate and other economic sectors, finance activities and mediation in borrowing and international trade activities. The Parent Company performs all of its activities in accordance with Islamic Shariah principles and is regulated by the Central Bank of Kuwait (CBK) and the Capital Markets Authority (CMA) as a licenced person.

In January 2017, the Parent Company's Board of Directors made an offer to Al Aman Investment Company KSCP ("Al Aman" - which became a subsidiary in 2018) proposing the merger of Al Aman with the Parent Company. This was accepted in principle and is subject to approval of the Capital Markets Authorities and the shareholders of the two companies. During the current period, the valuations of both companies were completed and regulatory procedures are in progress.

The Parent Company's principal place of business and registered address is 18<sup>th</sup> floor, Al-Dhow Tower, Khalid Ibn Al-Waleed Street, Sharq, P. O. Box 26972 Safat, 13130, Kuwait.

**2. Basis of preparation**

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting, except as noted below.

The annual financial statements for the year ended 31 December 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), as modified by the State of Kuwait for financial services institutions regulated by Central Bank of Kuwait and Capital Market Authority. These regulations require adoption of all IFRS except for the measurement and disclosure requirements in respect of expected credit losses (ECL) on credit facilities under IFRS 9: Financial Instruments, where the provision for credit losses on credit facilities is the higher of ECL under IFRS 9 according to the CBK guidelines and provisions required by the CBK instructions.

The interim condensed consolidated financial information does not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. In addition, results for the six months ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company.

**Changes in accounting policy and disclosures**

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for:

*Investment in joint venture*

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures and accounts for it using the equity method.

*IFRS 16: Leases*

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. As required by IAS 34, the nature and effect of adoption of IFRS 16 disclosed in Note 3.

*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 are recognized initially at their fair value at the acquisition date (which is regarded as their cost).

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets which have a finite life are amortized over their useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The intangible assets are tested for impairment based on the same policy as that of Goodwill.

Intangible assets comprise of brand and asset management agreements where brand is considered as an intangible asset with indefinite useful life and asset management agreements are considered as intangible assets with finite lives and are amortised over their useful lives of 20 years.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial information of the Group.

**3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS 16 -LEASES**

On adoption of IFRS 16 Leases, the Group has recognized the following right of use assets and lease liabilities:

	<b>On 1 January 2019</b>
	<b>KD</b>
<b>Right of use assets</b>	
Buildings	1,012,510
<b>Lease liabilities</b>	1,012,510

**Accounting policy**

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 Leases are summarized below:

The Group measures the right of use at cost, which comprises of

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

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

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 June 2019**

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

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

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

**Initial measurement**

The Group has elected to measure the lease liabilities and right of use asset on 1 January 2019 as follows:

Lease liability at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The right of use asset at its carrying amount at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

The Group has elected to apply the following practical expedients permitted by the Standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*

**Subsequent Measurement**

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

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 June 2019**

The recognized right-of-use assets relate to the following types of assets

	<b>Buildings</b>
	Kuwaiti Dinars
Balance as of 1 January 2019	1,012,510
Plus: Acquisitions during the period	348,634
Less: Depreciation (included in operating costs and depreciation)	(180,806)
Closing balance as at 30 June 2019	<u>1,180,338</u>

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	Kuwaiti Dinars
	<b>2019</b>
Operating lease commitments as at 31 December 2018	1,148,780
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,012,510

The Group's weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6%. Finance cost on lease liabilities amounted to KD 45,246 for the period ended 30 June 2019.

**The Group's leasing activities and how these were accounted for**

The Group mostly leases office spaces for commercial use. Rental contracts are typically made for fixed periods of 1 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, these leases were classified as operating leases. Payments made under operating leases were charged to statement of income on a straight-line basis over the period of the lease.

**Significant judgments and estimates**

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2018, except as mentioned below:

*Extension and termination options in lease contracts*

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable both by the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

*Discounting of lease payments*

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 June 2019**

**4. Basic and diluted (loss)/earnings per share attributable to equity holders of the Parent Company**

Basic and diluted (loss)/earnings per share is computed by dividing (loss)/profit attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Kuwaiti Dinars			
	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
(Loss)/ profit for the period attributable to equity holders of the Parent Company	<b>(186,915)</b>	(268,963)	<b>100,194</b>	158,884
	Shares			
Weighted average number of shares outstanding for the period	<b>450,000,000</b>	468,791,209	<b>450,000,000</b>	474,364,641
Basic and diluted (loss)/earning per share attributable to the equity holders of the parent company	<b>(0.4) fils</b>	(0.6) fils	<b>0.2 fils</b>	0.3 fils

**5. Cash and cash equivalents**

Cash and cash equivalents as shown in the interim condensed consolidated statement of cash flows are reconciled to the related items in the interim condensed consolidated statement of financial position as follows:

	Kuwaiti Dinars		
	30 June 2019	(Audited) 31 December 2018	30 June 2018
Bank balances and cash	<b>1,326,024</b>	1,739,372	<b>444,484</b>
Short-term murabaha investments with original maturity up to three months	<b>2,640,000</b>	4,890,000	<b>150,000</b>
	<b>3,966,024</b>	6,629,372	<b>594,484</b>

**6. Investment in associates and a joint venture**

**6.a Investment in associates**

	Kuwaiti Dinars		
	30 June 2019	(Audited) 31 December 2018	30 June 2018
At the beginning of the period/year	<b>29,920,348</b>	41,076,933	41,076,933
Transition adjustment on adoption of IFRS 9 at 1 January 2019	-	(42,101)	(5,602)
Acquisitions	-	1,956,186	35,597
Share of results	<b>(4,080)</b>	(1,279,003)	538,434
Share of other comprehensive income/(loss)	<b>104,191</b>	(1,169,796)	(607,006)
Capital reduction received	-	(1,485,000)	(1,485,000)
Foreign currency translation adjustment	<b>20,896</b>	(1,209,262)	(494,730)
Dividend received	-	(22,710)	-
Recognition of negative goodwill	-	32,175	32,175
Reclassification on business combination	-	(7,937,074)	-
At the end of the period/year	<b>30,041,355</b>	29,920,348	39,090,801

This represents the Group's share of its investments in Gatehouse Financial Group Limited, United Kingdom ("GFGL"), Saudi Projects Holding Group ("Saudi Projects") and in Madrono Capital, LLC (Madrono Capital).

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 June 2019**

The Group's share of Saudi Projects' and Madrono Capital's results for the six-month period ended 30 June 2019 of loss of KD 6,422 (30 June 2018: gain of KD 42,742) is based on its management accounts.

**6.b Interest in a joint venture**

Name of joint venture	Principal Activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group
First Kuwaiti for Education Holding Company WLL	Holding company that owns 100% of the equity share capital of Kuwaiti company that owns and manages schools in the Kuwait	Kuwait	50%

This investment was made by the Group in June 2019. Accordingly, the Group did not recognise share of results of the joint venture.

Summarized financial information of First Kuwaiti for Education Holding Company WLL is set out below.

	Kuwaiti Dinars		
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2018 (Unaudited)
Total assets	<b>19,686,273</b>	-	-
Total liabilities	<b>16,076,273</b>	-	-
Net assets	<b>3,610,000</b>	-	-
Group's share of net assets	<b>1,805,000</b>	-	-
Carrying amount of the Group's interest	<b>1,805,000</b>	-	-

In June 2019, the joint venture acquired 100% of the ordinary equity share capital of Dar Al Salam Company WLL, a Kuwaiti company which owns and manages two educational schools in Kuwait, for a total purchase consideration of KD 18 million. The above represents provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, which are subject to review within one year of acquisition on finalisation of the Purchase Price Allocation (PPA).

**7. Intangible assets and goodwill**

	Kuwaiti Dinars		
	30 June 2019 (Unaudited)	31 December 2018 (Audited) Restated	30 June 2018 (Unaudited)
Intangible assets			-
Asset management agreements	<b>3,939,390</b>	3,960,543	-
Brand	<b>789,480</b>	789,480	-
	<b>4,728,870</b>	4,750,023	-
Goodwill-Manarat Educational Services Company WLL.	<b>1,017,508</b>	1,017,508	-
Goodwill-Al Mathaq Holding Company WLL.	<b>1,289,203</b>	1,289,203	-
Total Goodwill	<b>2,306,711</b>	2,306,711	-

**Comparative figures**

During the previous year, the Parent Company acquired additional shares of Al Aman Investment Company K.S.C.P (Al Aman), the last acquisition of which took place in late December 2018, thus increasing the Group's interest in Al Aman from 49.5% to 50.0%. As a result, the Group was deemed to have had control over Al Aman with effect from 31 December 2018 and from that date, the investment in Al Aman has been reclassified from an associate to a subsidiary of the Group in accordance with IFRS 10: "Consolidated Financial Statements" and the Group remeasured its previously held 49.5% equity interest retained in Al Aman to its fair value by reference an independent valuation.

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 June 2019**

Further, Al Aman acquired Al Mathaq Holding Company WLL. in June 2018.

The initial accounting of the business combination and acquisition above was carried out using provisional values of identifiable assets, liabilities and contingent liabilities and the purchase price allocation (PPA) was completed during the current period. The Group restated comparative figures as disclosed below to give effect to adjustments arising from the PPA.

	Kuwaiti Dinars
Statement of Financial Position	
Goodwill - as previously reported	4,770,730
Less - intangible assets recognised	(4,750,023)
	20,707
Adjustment - Non-controlling interests share in intangible assets	2,286,004
Goodwill - restated	2,306,711

**8. Share capital**

The authorised, issued and fully paid up share capital of the Parent Company is KD 45,000,000 (31 December 2018: KD 45,000,000; 30 June 2018: KD 45,000,000) comprising of 450,000,000 shares (31 December 2018: 450,000,000; 30 June 2018: 450,000,000) of 100 fils each.

**9. Related party transactions**

Related parties represent major shareholders, directors and executive officers of the Parent Company, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Related party transactions consist of the following:

	Kuwaiti Dinars	
	Six months ended 30 June	
	2019	2018
<b>Key management compensation:</b>		
Salaries and other short term benefits	<b>292,666</b>	145,909
Employees' end of services	<b>23,806</b>	11,145
	<b>316,472</b>	157,054

**10. Segmental analysis**

For management purposes the Group is organised into four major business segments:

- Proprietary investment : Investing of group funds in securities and real estate, financing corporate and management individual customers, and managing the group's liquidity requirements.
- Asset management and advisory services : Discretionary and non-discretionary investment portfolio management, managing of local and international investment funds and providing advisory and structured finance services and other related investment services.
- Education : Operating schools in the State of Kuwait.
- Food and beverages : Operating restaurants in the State of Kuwait

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited) – 30 June 2019**

The following table presents information regarding the Group's business segment:

	Proprietary investment		Asset management and advisory services		Education		Food and beverages		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment revenue	909,550	110,008	1,638,309	20,510	500,259	-	780,591	-	3,828,709	130,518
Segment results	(315,150)	(296,784)	1,230,076	(115,087)	(129,241)	-	(81,968)	-	703,717	(411,871)
Share in results of associates	(4,080)	538,434	-	-	-	-	-	-	(4,080)	538,434
Negative goodwill	-	32,175	-	-	-	-	-	-	-	32,175
Amortization of intangibles	-	-	(212,142)	-	-	-	-	-	(212,142)	-
Finance cost on lease liabilities	(24,882)	-	-	-	-	-	-	-	(24,882)	-
Profit for the period									462,613	158,738

Revenue of the asset management and advisory services includes incentive fees received that arises mostly in the first quarter, as it is based on 31 March year end annual performance of the assets managed under the fiduciary activities.

	Proprietary investment management		Asset management and advisory services		Education		Food and beverages		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment assets	8,853,969	5,148,068	817,567	-	866,277	-	575,000	-	11,112,813	5,148,068
Investment in associates and a joint venture	28,236,355	39,090,801	-	-	1,805,000	-	-	-	30,041,355	39,090,801
Others	14,510,409	741,484	1,950,000	-	23,845	-	-	-	16,484,254	741,484
	51,600,733	44,980,353	2,767,567	-	2,695,122	-	575,000	-	57,638,422	44,980,353
<b>Liabilities:</b>										
Lease liabilities	209,624	-	-	-	596,871	-	399,814	-	1,206,309	-
Account payable and accruals	3,884,548	2,588,550	-	-	131,522	-	112,494	-	4,128,564	2,588,550
Employees' end of service benefits	705,627	229,627	-	-	55,737	-	124,930	-	886,294	229,627
	4,799,799	2,818,177	-	-	784,130	-	637,238	-	6,221,167	2,818,177



Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 June 2019

11. Capital Commitments and contingent liabilities

	Kuwaiti Dinars		
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	30 June 2018 (Unaudited)
Uncalled capital of an investee company	118,672	238,451	-
Guarantee provided for murabaha payable of joint venture	10,800,000	-	-

For the murabaha payable availed by the jointly controlled entity (refer note 6.b) the Group, the co-investee in the jointly controlled entity and the jointly controlled entity, have given a joint and several guarantee to the lending local Shariah-compliant financial institution. Accordingly, the Group has recognized a provision for ECL on the full amount of murabaha payable guaranteed.

12. Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention, or need, to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Financial instruments comprise of financial assets and financial liabilities.

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months), the carrying amount approximates their fair value. The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1 : quoted (unadjusted) prices in an active market for identical assets and liabilities:

Level 2 : inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and

Level 3 : inputs are unobservable inputs for the asset or liability.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

30 June 2019	Kuwaiti Dinars		
	Level 1	Level 3	Total
<b>Financial assets at fair value</b>			
<i>Financial assets at fair value through profit or loss:</i>			
Quoted equities	3,591,203	-	3,591,203
Unquoted equity securities	-	2,199,215	2,199,215
	<b>3,591,203</b>	<b>2,199,215</b>	<b>5,790,418</b>
<i>Financial assets at fair value through other comprehensive income:</i>			
Unquoted equity securities	-	3,959,016	3,959,016
	-	<b>3,959,016</b>	<b>3,959,016</b>

**Notes to the Interim Condensed Consolidated Financial Information (Unaudited) - 30 June 2019**

**30 June 2018**

	Kuwaiti Dinars		
	Level 1	Level 3	Total
<b>Financial assets at fair value</b>			
<i>Financial assets at fair value through profit or loss:</i>			
Quoted equities	296,450	-	296,450
Unquoted equity securities	-	2,300,712	2,300,712
	<u>296,450</u>	<u>2,300,712</u>	<u>2,597,162</u>
<i>Financial assets at fair value through other comprehensive income:</i>			
Unquoted equity securities	-	1,952,542	1,952,542
	<u>-</u>	<u>1,952,542</u>	<u>1,952,542</u>

During the period ended 30 June 2019, there were no transfers between the hierarchies.