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

Consolidated Financial Statements and Independent Auditor's Report
31 December 2018

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THE SECURITIES HOUSE K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The Securities House K.S.C.P. ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, 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. For each matter below, our description of how our audit addressed that matter is provided in that context.

Indication of impairment of investment in associates

As of 31 December 2018, investment in associates amounted to KD 29,920,348 (2017: KD 41,076,933) which represents 55.92% of the total assets. It is the most significant asset of the Group. Under IFRS, the Group is required to assess if there is any indication that investment in associates may be impaired. Such assessment and the amount of impairment loss, if any, are significant to our audit because their determination requires considerable judgment on the part of management. Therefore, we identified the impairment assessment of associates and its testing as a key audit matter. The Group's policy on assessing impairment on associates is disclosed in note 2.8 of the consolidated financial statements.

As part of our audit procedures, we assessed the objective evidence that management used to determine if investments in associates are impaired and the key inputs forming the basis of such assessment. For this purpose, we assessed whether there are one or more loss events that has occurred which has an impact on the estimated cash flows of the associate that can be reliably estimated and whether there is observable data about loss events.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group for the year ended 31 December 2018. The other information does not include the consolidated financial statements and our auditor's report thereon. We obtained the report of the Parent Company's Board of Directors prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2018 after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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 the management.

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

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

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

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

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

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 accounts 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 the information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its 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 2018 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

We further report that, during the course of our audit, we have not become aware of any material 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 year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
24 March 2019

Consolidated Statement of Income - For the year ended 31 December 2018

	Notes	Kuwaiti Dinars 2018	2017
INCOME			
Realised gain/(loss) on sale of financial assets at fair value through profit and loss		**220,839**	(27,659)
Realised loss on sale of financial assets available for sale		-	(26,944)
Dividend income		**85,563**	119,763
Unrealised gain on financial assets at fair value through profit or loss	6	**74,751**	413,563
Management fee income	18	**42,983**	27,289
Other income		**50,425**	72,533
Total income		**474,561**	578,545
EXPENSES			
Staff costs		**698,935**	649,093
General and administrative expenses		**307,243**	301,564
Depreciation		**42,000**	47,158
Total expenses		**1,048,178**	997,815
Loss before share of results, goodwill and taxation		**(573,617)**	(419,270)
Share of results of associates	10	**(1,279,003)**	137,394
Recognition of negative goodwill of investment in associate	10 (a)	**32,175**	304,585
Gain on business combination	11	**2,024,595**	-
Contribution to Kuwait Foundation of Advancement of Sciences		-	-
National Labour Support Tax (NLST)		-	(1,081)
Zakat		-	(49)
Profit for the year		**204,150**	21,579
Attributable to:			
Equity holders of the Parent Company		**204,812**	22,126
Non-controlling interests		**(662)**	(547)
Profit for the year		**204,150**	21,579
Basic and diluted earnings per share attributable to equity holders of the Parent Company	4	**0.4 Fils**	0.0 Fils

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income - For the year ended 31 December 2018

	Notes	Kuwaiti Dinars	
		2018	**2017**
Profit for the year		**204,150**	21,579
Other comprehensive (loss)/income			
Items that will be reclassified to statement of income			
Foreign currency translation adjustment		**(1,218,457)**	2,723,292
Items that will not be reclassified to statement of income			
Cumulative changes in fair value of financial assets at fair value through other comprehensive income		**(302,453)**	-
Share in other comprehensive income of associates	10	**(1,169,796)**	107,913
Other comprehensive (loss)/income for the year		**(2,690,706)**	2,831,205
Total comprehensive (loss)/income for the year		**(2,486,556)**	2,852,784
Attributable to:			
Equity holders of the Parent Company		**(2,485,925)**	2,853,331
Non-controlling interests		**(631)**	(547)
		(2,486,556)	2,852,784

The accompanying notes form an integral part of these consolidated financial statements.

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

Consolidated Statement of Financial Position as at 31 December 2018

	Notes	Kuwaiti Dinars 2018	Kuwaiti Dinars 2017
ASSETS			
Bank balances and cash	5	**1,739,372**	1,846,705
Short-term murabaha investments	5	**4,890,000**	550,000
Accounts receivable and prepayments		**1,109,823**	158,234
Financial assets at fair value through profit or loss	6	**4,672,187**	2,626,596
Financial assets at fair value through other comprehensive income	7	**4,039,217**	-
Financial assets available for sale	8	**-**	2,042,985
Investment Property	9	**1,895,066**	-
Investment in associates	10	**29,920,348**	41,076,933
Goodwill	11	**4,770,730**	-
Property and equipment		**465,869**	168,000
TOTAL ASSETS		**53,502,612**	48,469,453
EQUITY			
Share capital	12	**45,000,000**	48,000,000
Statutory reserve	12	**101,480**	80,999
Fair value reserve		**(1,251,544)**	-
Foreign currency translation reserve		**(3,732,172)**	(2,513,684)
Cumulative changes in equity of associates		**(379,594)**	(158,889)
Retained earnings		**833,907**	698,751
Equity attributable to equity holders of the Parent Company		**40,572,077**	46,107,177
Non-controlling interests		**8,022,090**	10,674
TOTAL EQUITY		**48,594,167**	46,117,851
LIABILITIES			
Accounts payable and accruals		**4,121,887**	2,152,495
Employees' end of service benefits		**786,558**	199,107
TOTAL LIABILITIES		**4,908,445**	2,351,602
TOTAL EQUITY AND LIABILITIES		**53,502,612**	48,469,453

The accompanying notes form an integral part of these consolidated financial statements.

Ibrahim Youssef Al Ghanim
Chairman

Fahed Faisal Boodai
Vice Chairman and Chief Executive officer

Consolidated Statement of Cash Flows – For the year ended 31 December 2018

	Notes	Kuwaiti Dinars 2018	2017
OPERATING ACTIVITIES			
Profit for the year		**204,150**	21,579
Adjustments for:			
Realised (gain)/loss on sale of financial assets at fair value through profit or loss		**(220,839)**	27,659
Realised loss on sale of financial assets available for sale		**-**	26,944
Dividend income		**(85,563)**	(119,763)
Share of results of associates	10	**1,279,003**	(137,394)
Gain on business combination	11	**(2,024,595)**	-
Unrealised gain on financial assets at fair value through profit or loss	6	**(74,751)**	(413,563)
Negative goodwill of associates	10	**(32,175)**	(304,585)
Depreciation		**42,000**	47,158
Provision for employees' end of service benefits		**57,308**	132,933
		(855,462)	(719,032)
Change in operating assets and liabilities:			
Accounts receivable and prepayments		**(1,758)**	(34,767)
Financial assets at fair value through profit or loss		**628,883**	234,606
Accounts payable and accruals		**64,975**	(238,197)
Cash used in operations		**(163,362)**	(757,390)
Employees' end of service benefits paid		**-**	(2,922)
Net cash flows used in operating activities		**(163,362)**	(760,312)
INVESTING ACTIVITIES			
Purchase of financial assets available for sale		**-**	(2,134,745)
Proceeds from sale of financial assets available for sale		**-**	474,090
Proceeds from sale of financial assets at fair value through other comprehensive income		**61,860**	-
Purchase of an investment in an associate	10 (a)	**(35,597)**	(22,562)
Net cash acquired on business combination	11	**5,786,723**	-
Dividend income received		**85,563**	119,763
Dividend received from an associate	10	**22,710**	-
Capital reduction of an associate	10	**1,485,000**	-
Net cash flows from/(used in) investing activities		**7,406,259**	(1,563,454)
FINANCING ACTIVITIES			
Payment of share capital reduction	12 (a)	**(3,000,000)**	-
Net movement on non-controlling interests		**(7,249)**	(124)
Net cash flows used in financing activities		**(3,007,249)**	(124)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,235,648**	(2,323,890)
Transition adjustment on adoption of IFRS 9 at 1 January 2018		**(2,981)**	-
Cash and cash equivalents at 1 January		**2,396,705**	4,720,595
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5	**6,629,372**	2,396,705

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity – For the year ended 31 December 2018

	Kuwaiti Dinars								
	Attributable to equity holders of the Parent Company							Non-controlling interests	Total equity
	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 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 (Note 2.6)	**-**	**-**	**-**	**-**	**-**	**(49,175)**	**(49,175)**	**(27)**	**(49,202)**
Balance as at 1 January 2018 (restated)	**48,000,000**	**80,999**	**-**	**(2,513,684)**	**(158,889)**	**649,576**	**46,058,002**	**10,647**	**46,068,649**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**204,812**	**204,812**	**(662)**	**204,150**
Other comprehensive (loss)/income	**-**	**-**	**(302,453)**	**(1,218,488)**	**(1,169,796)**	**-**	**(2,690,737)**	**31**	**(2,690,706)**
Total comprehensive (loss)/income for the year	**-**	**-**	**(302,453)**	**(1,218,488)**	**(1,169,796)**	**204,812**	**(2,485,925)**	**(631)**	**(2,486,556)**
Transfer to reserves	**-**	**20,481**	**-**	**-**	**-**	**(20,481)**	**-**	**-**	**-**
Share capital reduction (Note 12 (a))	**(3,000,000)**	**-**	**-**	**-**	**-**	**-**	**(3,000,000)**	**-**	**(3,000,000)**
Net movement on non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(46,414)**	**(46,414)**
Business combination (Note 11)	**-**	**-**	**(949,091)**	**-**	**949,091**	**-**	**-**	**8,058,488**	**8,058,488**
As at 31 December 2018	**45,000,000**	**101,480**	**(1,251,544)**	**(3,732,172)**	**(379,594)**	**833,907**	**40,572,077**	**8,022,090**	**48,594,167**
As at 1 January 2017	48,000,000	78,673	-	(5,236,976)	(266,802)	678,951	43,253,846	11,345	43,265,191
Profit for the year	-	-	-	-	-	22,126	22,126	(547)	21,579
Other comprehensive income	-	-	-	2,723,292	107,913	-	2,831,205	-	2,831,205
Total comprehensive income for the year	-	-	-	2,723,292	107,913	22,126	2,853,331	(547)	2,852,784
Transfer to reserves	-	2,326	-	-	-	(2,326)	-	-	-
Net movement on non-controlling interests	-	-	-	-	-	-	-	(124)	(124)
As at 31 December 2017	48,000,000	80,999	-	(2,513,684)	(158,889)	698,751	46,107,177	10,674	46,117,851

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION AND ACTIVITIES

The consolidated financial statements of The Securities House K.S.C.P. (the "Parent Company") and subsidiaries (collectively the "Group") for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Board of Directors on 24 March 2019. The shareholders of the Parent Company have the power to amend these consolidated financial statements at the annual general assembly.

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, underwriting and sale of third party-issued securities, investment trust and investment monitoring, 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 an investment company.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. 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 consolidated financial statements of the Group have been prepared under historical cost convention except for investment securities at fair value through profit or loss and investment securities at fair value through other comprehensive that have been measured at fair value.

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

2.2 Impact of changes in accounting policies due to adoption of new standards

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017 except for the adoption of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* from 1 January 2018 as summarised below.

Adoption of IFRS 9 'Financial Instruments'

The Group has adopted IFRS 9 – Financial Instruments effective from 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities and impairment of financial assets.

The Group has not restated comparative information for 2017 as permitted by the transitional provisions of the Standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 and are disclosed in note 2.6. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The Group has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements with respect to the business model and contractual cash flow characteristics ("CCC")/solely payment of principal and profit ("SPPP").

The Group's accounting policies for classification and measurement of financial assets under IFRS 9 are explained in note 2.6.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost and debt investments at fair value through other comprehensive income but not to investments in equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group's accounting policies for impairment of financial assets under IFRS 9 is explained in note 2.6.

Adoption of IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from contracts with customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 3. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 'Revenue from Contracts with Customers' resulting in no change in the revenue recognition policy of the Group in relation to its contracts with customers and therefore it had no material impact on the Group's consolidated financial statements.

2.3 Standards issued but not effective

The following IFRS has been issued but is not yet effective and has not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 16 'Leases'

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date.

IFRS 16 does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their statement of financial position as lease liabilities, with the corresponding right-of-use assets. Lessees must apply a single model for all recognised leases but will have the option not to recognise 'short-term' leases and leases of 'low-value' assets. Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of income and other comprehensive income.

Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. The Group is currently evaluating its impact and it is not expected to be material to the Group's consolidated financial statements.

2.4 Business combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at ts acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2.5 Consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and income. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. Intra group losses that indicate an impairment is recognized in the consolidated financial statements.

When the Parent Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.6 Financial instruments

Recognition/derecognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

Classification of financial assets and financial liabilities

Policy applicable from 1 January 2018

IFRS 9 requires financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at Fair Value through Profit or Loss. The Group's business model is based on observable factors such as:

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

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

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

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

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Investment securities at FVTPL
- Investment securities at FVOCI

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

Bank balances and cash, short-term murahaba investments, accounts receivables in the nature of financial assets are classified as financial assets carried at amortised cost.

Investment securities at FVTPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Included in this classification are certain, equities securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

Investment securities at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Equity instruments at FVOCI are subsequently measured at fair value. Gains and losses on these equity instruments are never recycled to consolidated statement of income. Dividends are recognised in consolidated statement of income, when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in consolidated statement of comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Policy applicable before 1 January 2018

In the normal course of business the Group uses financial instruments, principally bank balances and cash, short term murabaha investments, accounts receivables, investments and accounts payables. In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as "at fair value through profit or loss", "loans and receivables" or "available for sale". All financial liabilities are classified as "other than at fair value through profit or loss".

Measurement

Financial instruments

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

Financial assets at fair value through profit or loss

These are financial assets that are either held for trading or are designated as investments at fair value through profit or loss upon initial recognition. A financial asset is classified in this category only if they are acquired principally for the purpose of generating profit from short-term fluctuations in price or if so designated by the management upon initial recognition if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Financial assets classified as investments at fair value through profit or loss are subsequently measured and carried at fair value. Resultant unrealised gains and losses arising from changes in fair value are included in the consolidated statement of income. Derivatives are classified as "held for trading" unless they are designated as hedges and are effective hedging instruments

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the "available for sale "asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of income as gains or losses.

Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Financial guarantees

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

IFRS 9 introduces three-stage approach to measuring ECL under the general approach. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade"

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized as the difference between the financial asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Any adjustments to the carrying amount of the financial asset arising from expected credit losses is recognized in profit or loss as an impairment gain or loss.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group recognizes ECL for bank balances and cash and short-term murabaha investments using the general approach described above. The Group applies the simplified approach to recognise lifetime expected credit losses for accounts receivable as permitted by IFRS 9. Accordingly accounts receivable which is not credit impaired and which do not have significant financing component are categorised under stage 2 and lifetime ECL is recognised.

Event of default

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Impairment of financial assets

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of income. For "available for sale" equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

Impact on adoption of IFRS 9 - Transition

Net impact from the adoption of IFRS 9 on opening retained earnings as at 1 January 2018 is as follows:

	Kuwaiti Dinars
	Retained earnings
Closing balance under IAS 39 (31 December 2017)	698,751
Impact on reclassification and re-measurements:	
Expected Credit Losses under IFRS 9 on financial assets at amortized cost related to the Group (see below)	(7,074)
Expected Credit Losses under IFRS 9 on financial assets at amortized cost related to associate companies	(42,101)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**649,576**

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018.

			Kuwaiti Dinars		
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**Re-measurement ECL**	**New carrying amount under IFRS 9**
Financial assets					
Bank balances and cash	Loans and receivables	Amortised Cost	1,846,705	(2,289)	1,844,416
Short-term murabaha investments	Loans and receivables	Amortised Cost	550,000	(688)	549,312
Accounts receivable and prepayments	Loans and receivables	Amortised cost	158,234	(4,097)	154,137
Investment securities – Managed equity funds	FVTPL	FVTPL	179,283	-	179,283
Investment securities – Equity securities	FVTPL	FVTPL	736,891	-	736,891
Investment securities Equity securities	FVTPL	FVOCI	1,710,422	-	1,710,422
Investment securities Equity securities	Investments available for sale	FVTPL	1,739,005	-	1,739,005
Investment securities – Equity securities	Investments available for sale	FVOCI	303,980	-	303,980
Total financial assets			**7,224,520**	**(7,074)**	**7,217,446**

IFRS 9 did not result in any change in classification or measurement of financial liabilities.

2.7 Goodwill

Goodwill arising in a business combination is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share in the recognized amounts of the acquiree's net identifiable assets at the acquisition date, if any; and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from a bargain purchase and is recognized directly in the consolidated statement of income.

Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of an entity include the carrying amount of goodwill relating to the entity or the portion sold.

Goodwill are tested at least annually for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal four to five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the four to five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

2.8 Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to by the Group.

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

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

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

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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.

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

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

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

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost less impairment.

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

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

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

2.9 Investment in associates

An associate is an entity over which the Group exerts significant influence. Investment in associates is accounted for, under the equity method of accounting. Where an associate is acquired and held exclusively for resale, it is accounted for as a non-current asset held for resale under IFRS 5.

Under the equity method, the investment in associates is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associates' net assets. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group recognises in the consolidated statement of income its share of the total recognised profit or loss of the associate from the date that influence or ownership effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in Group's share in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss statement. The Group's share of those changes is recognised in the consolidated statement of income and comprehensive income.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate 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.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.10 Investment properties

Investment properties are measured initially at cost, including transaction cost, being the fair value of the consideration given and including acquisition charges associated with the property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses from changes in the fair values of investment properties are recognised in the consolidated statement of income in the period in which they arise. Fair values are evaluated annually by an accredited external independent valuer, applying a valuation method consistent with the nature and usage of the investment properties.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the consolidated statement of income in the period of derecognition.

2.11 Property and equipment

Equipment is carried at cost less accumulated depreciation and impairment losses. The cost of equipment is depreciated on a straight- line basis over an estimated useful life of years as follows:

- Decor and fixtures 5 years
- Furniture 5 years

The carrying amount of equipment is reviewed at each statement of financial position date to determine whether there is any indication of impairment in its carrying value. If any such indication exists, an impairment loss is recognised in the statement of income, being the difference between carrying value and the asset's recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

2.13 Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents include bank balances and cash and short-term murabaha investments that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

2.14 Post-employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the reporting date. This basis is considered to be a reliable approximation of the present value of this liability.

2.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

i) Gain or losses on sale of investments are recognised when the risks and rewards are transferred to the buyer.

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

iii) Management fee income from fiduciary activities is recognised over the period of time as the Group satisfies the performance obligation by transferring the promised services to the customer.

2.16 Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the reporting date. Any resultant gains or losses are taken to the consolidated statement of income.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Translation difference on non-monetary items classified as "at fair value through profit or loss" are reported as part of the fair value gain or loss in the consolidated statement of income whereas, those on non-monetary items classified as "available for sale" financial assets are included in consolidated statement of income and comprehensive income.

The income and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statement of financial position is translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of income as part of the gain or loss on sale.

2.17 Contingencies

Contingent assets are not recognised in the consolidated financial statements, but are disclosed when an inflow of economic benefit is probable. Contingent liabilities are not recognised in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

2.18 Zakat

Zakat is calculated and paid at 1.0% of the profit of the Group in accordance with the Law No. 46 of 2006. Responsibility for the calculation of Zakat in accordance with Shariah principles and the payment of unsettled zakat lies with the shareholders.

2.19 Significant accounting judgments, estimates and assumptions

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

Judgements

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

Significant increase in credit risk

As explained in note 2.6, ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or life time ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

Impairment of financial assets – Applicable from 1 January 2018

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through consolidated statement of income except for equity instruments. The determination of expected credit loss involves significant judgement because of the use of external and internal data and assumptions. Refer note 2.6 impairment of financial assets for more information.

Impairment of financial assets available for sale before 1 January 2018

The Group treats "financial assets available for sale" equity investments as impaired when there has been a significant or prolonged decline in their fair value below their cost. The determination of what is "significant" or "prolonged" requires significant judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be considered appropriate when there is evidence of deterioration in the financial position of the investee, industry and sector performance; changes in technology and operational and financing cash flows.

Estimation uncertainty

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

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- earnings multiple technique; or
- other valuation models.

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

Impairment of investment in associates

After application of the equity method, the Group determines whether it is necessary to recognise 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 recognises the amount in the consolidated statement of income.

Impairment provision of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

3. SUBSIDIARIES

Details of the subsidiaries are shown below.

Subsidiaries	Country of incorporation	Percentage of ownership	
		2018	2017
Al Aman Investment Company K.S.C.P. ("Al Aman")	Kuwait	**50%**	-
Securities House for Real Estate Services Company K.S.C.(Closed) ("SHRES")	Kuwait	**99.98%**	99.98%
Saji Real Estate Company K.S.C. (Closed)	Kuwait	**90%**	90%
Silverstone Capital Ltd.	Cayman Islands	**100%**	100%
Held through Al Aman			
Al Aman Holding Company K.S.C.(Closed)	Kuwait	**100%**	-
Al Bairouni General Trading S.P.C (Al Bairouni)	Kuwait	**100%**	-
Al Mathaq Holding Company W.L.L. (Al Mathaq)	Kuwait	**76%**	-
Held through Al Bairouni			
Manarat Educational Services Company W.L.L.	Kuwait	**80%**	-
Held through Al Mathaq			
Juzur Al Canary Restaurant Company W.L.L.	Kuwait	**100%**	
Held through SHRES			
Emirates and Kuwait Real Estate Company L.L.C.	United Arab Emirates	**-**	95%
Held through Silverstone Capital Limited			
Greystone Capital Inc.	United States of America	**100%**	100%

During the current year, Emirates and Kuwait Real Estate Company L.L.C. was liquidated.

4. BASIC AND DILUTED EARNINGS PER SHARE

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

	Kuwaiti Dinars	
	2018	2017
Profit for the year attributable to equity holders of the Parent Company	**204,812**	22,126
	Shares	
Weighted average number of shares outstanding for the year	**462,082,19**	480,000,000
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	**0.4 Fils**	0.0 Fils

5. CASH AND CASH EQUIVALENTS

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

	Kuwaiti Dinars	
	2018	2017
Bank balances and cash	**1,739,372**	1,846,705
Short-term murabaha investments with original maturities up to three months	**4,890,000**	550,000
	6,629,372	2,396,705

Short-term murabaha investments carry an effective average profit rate of 2.25% (2017: 1.50%) per annum.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Kuwaiti Dinars	
	2018	2017
Held for trading		
Quoted equity securities	**2,347,187**	736,891
Designated upon initial recognition		
Unquoted local equity securities	**121,875**	1,011,507
Unquoted foreign equity securities	**2,203,125**	878,198
	4,672,187	2,626,596

During the year, the Group did not have unrealised gain or loss on quoted equity investments (2017: unrealised loss of KD 48,114) and had an unrealised gain on unquoted equity investments amounting to KD 74,751 (2017: unrealised gain of KD 461,677).

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Kuwaiti Dinars	
	2018	2017
Unquoted local equity securities	**2,215,563**	-
Unquoted foreign equity securities	**1,823,654**	-
	4,039,217	-

During the year, the Group had an unrealised loss on unquoted equity investments amounting to KD 1,251,544 (2017: Nil).

8. FINANCIAL ASSETS AVAILABLE FOR SALE

	Kuwaiti Dinars	
	2018	2017
Unquoted foreign equity securities	**-**	2,042,985

9. INVESTMENT PROPERTY

	Kuwaiti Dinars	
	2018	2017
As at 1 January	**-**	-
Change in fair value	**-**	-
Acquisition on business combination (Note 11)	**1,895,066**	-
	1,895,066	-

This represents the Group's interest in a property under development in Saudi Arabia. The property is carried at fair value.

The fair value of the investment property has been arrived at on the basis of valuations carried out by an independent appraiser. The fair value was determined based on comparable market approach. In estimating the fair value of the property, the highest and the best use of the property is its current use. The Group's investment property is included in Level 3 of fair value hierarchy.

10. INVESTMENT IN ASSOCIATES

Details of the associates are shown below.

	Country of incorporation	Percentage of ownership	
		2018	2017
Gatehouse Financial Group Limited (GFGL)	United Kingdom	**28.6%**	28.3%
Al Aman Investment Company K.S.C.P. ("Al Aman")	Kuwait	-	49%
Saudi Projects Holding Group ("Saudi Projects")	Kuwait	**25%**	-
Madrono Capital, LLC	United States of America	**50%**	50%

Movement on the investment in associates is shown below.

	Kuwaiti Dinars	
	2018	**2017**
At the beginning of the year	**41,076,933**	37,781,187
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2.6)	**(42,101)**	-
Acquisitions (a)	**1,956,186**	22,562
Share of results	**(1,279,003)**	137,394
Share of other comprehensive loss / income	**(1,169,796)**	107,913
Foreign currency translation adjustment	**(1,209,262)**	2,723,292
Dividend received	**(22,710)**	-
Capital reduction received	**(1,485,000)**	-
Recognition of negative goodwill (a)	**32,175**	304,585
Reclassification on business combination	**(7,937,074)**	-
At the end of the year	**29,920,348**	41,076,933

a) During the second quarter, the Parent Company acquired additional shares in Al Aman for an amount of KD 35,597. The acquisition resulted in the recognition of a negative goodwill of KD 32,175.

In December 2018, Al Aman became a subsidiary when the Parent Company's holding in its equity shares increased to 50% on acquisition of an additional 0.5% of its outstanding equity shares for an amount of KD 38,930 (Note 11). As a result of acquisition the Group's interest in GFGL increased by 0.3% amounting to KD 345,059 and that in Saudi Projects became a 25% aggregating KD 1,575,530.

During the previous year, the effective holding of the Parent Company of Al Aman's outstanding share capital, increased from 46.4% to 49.2% as a result of Al Aman's purchase of its own shares. This resulted in a negative goodwill of KD 304,585 being recognised in the consolidated statement of income.

The following table illustrates summarised financial information of investment in associates:

31 December 2018	Kuwaiti Dinars			
	GFGL	**Saudi Projects**	**Madrono**	**Total**
Total assets	**168,466,335**	**6,639,077**	**75,023**	
Total liabilities and non-controlling interests	**(125,704,186)**	**(273,944)**	**(1,517)**	
Net Assets	**42,762,149**	**6,365,133**	**73,506**	
Revenues	**1,200,149**	-	**96,282**	
Profit/(Loss) for the year	**(6,036,963)**	-	**85,060**	
Share of associates' net assets	**12,234,162**	**1,575,530**	**36,753**	**13,846,445**
Goodwill	**17,121,375**	-	-	**17,121,375**
Eliminated gain on downstream transaction	**(1,047,472)**	-	-	**(1,047,472)**
Carrying amount of interest in associates	**28,308,065**	**1,575,530**	**36,753**	**29,920,348**

	Kuwaiti Dinars			
31 December 2017	**GFGL**	**Al Aman**	**Madrono**	**Total**
Current assets	32,319,769	16,494,111	33,497	
Non-current assets	81,363,425	4,847,599	-	
Current liabilities	(62,593,090)	(737,320)	(55)	
Non-current liabilities and non-controlling interests	(205,056)	(483,841)	-	
Net Assets	50,885,048	20,120,549	33,442	
Revenues	6,909,935	3,262,213	-	
Profit/(Loss) for the year	106,705	250,201	(11,832)	
Share of associates' net assets	14,395,960	9,892,604	16,721	24,305,285
Goodwill	17,819,120	-	-	17,819,120
Eliminated gain on downstream transaction	(1,047,472)	-	-	(1,047,472)
Carrying amount of interest in associates	31,167,608	9,892,604	16,721	41,076,933

The management believes that there is no objective evidence on circumstances that indicates any impairment in the value of its investment in associates.

The market value of Al Aman Investment as at 31 December 2017 was KD 4,425,000.

11. BUSINESS COMBINATION

Acquisition of Al Aman Investment Company K.S.C.P. (Al Aman)

As stated in Note 10 (a), during the current year, the Parent Company acquired additional shares in 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 is deemed to have had control over Al Aman with effect from 31 December 2018. From the date of control, 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".

The Group remeasured it's previously held 49.5% equity interest retained in Al Aman by reference to an independent valuation, such value has been estimated to be KD 9,952,443 and recognized the resulting gain of KD 2,015,369 in the consolidated statement of income, net of amounts reclassified from other comprehensive income.

The goodwill arising on the acquisition, based on the provisional values assigned to the identifiable assets and liabilities as at that date, was measured as follows:

	KD
Cash paid on acquiring additional interest (note 10 (a))	38,930
Acquisition date fair value of the previously held equity interest	9,952,443
Non-controlling interest share	8,058,488
Total Consideration	18,049,861
Less	
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	5,825,653
Trade and other receivables	835,729
Financial investments	4,739,429
Investment Property (Note 9)	1,895,066
Investment in associates (Note 10 (a))	1,920,589
Property and equipment	339,869
Trade and other payables	(1,747,061)
Non-current liabilities	(530,143)
Total identifiable net assets	13,279,131
Goodwill arising from business combination	4,770,730

The above goodwill is attributable to the profitability of the acquired business subsequent to the date of acquisition at 31 December 2018.

Gain on Business combination:	
Acquisition date fair value of the previously held equity interest	9,952,443
Acquisition date book value of the previously held equity interest	(7,937,074)
Gain on business combination before reserve reclassification	2,015,369
Foreign currency translation reserve reclassified from other comprehensive income	9,226
Gain on business combination	2,024,595

In January 2017, the Parent Company's Board of Directors made an offer to Al Aman, proposing the merger between the Parent Company and Al Aman, which was accepted by Al Aman in principle and is subject to approval of shareholders of the respective companies and the regulator after finalization of all related valuations and other procedures which are currently underway.

12. SHARE CAPITAL, RESERVES AND DIRECTORS' REMUNERATION

a) Share capital

The authorised, issued and fully paid up share capital of the Parent Company is KD 45,000,000 (2017: KD 48,000,000) comprising of 450,000,000 shares (2017: 480,000,000) of 100 fils each.

The Extraordinary General meeting of the Parent Company's shareholders held on 19 April 2018 resolved to reduce the authorized, issued and paid up share capital by 30,000,000 shares of 100 fils per share amounting to KD 3,000,000. This was registered in the commercial register on 6 May 2018. The payment of cash on capital reduction was made to the shareholders on 27 May 2018.

b) Statutory reserve

In accordance with the Parent Company's articles of association, 10% of the profit for the year before directors' remuneration, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST") and Zakat is required to be transferred to the statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve totals 50% of paid-up share capital. During the current year, 10% of the profit for the year has been transferred to statutory reserve.

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

c) Directors' remuneration

No directors' remuneration was recommended for the year 2018.

The ordinary general assembly of the shareholders of the Parent Company held on 19 April 2018 approved the payment of directors' remuneration of KD 25,000 for the year 2017.

13. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and executive officers of the Group, 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 balances and transactions consist of the following:

	Kuwaiti Dinars	
	2018	2017
Key management compensation:		
Salaries and other short term benefits	**297,656**	266,783

14. SEGMENTAL INFORMATION

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

Proprietary investment management	:	Investing of Group's funds in securities and real estate, financing corporate and 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.
Commercial activities	:	Commercial activities include education and food and beverages.

	Proprietary investment management		Asset management, advisory and consulting services		Commercial activities		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Segment revenue	**431,579**	551,256	**42,983**	27,289	**-**	-	**474,561**	578,545
Segment results	**(354,555)**	(197,105)	**(219,062)**	(222,165)	**-**	-	**(573,617)**	(419,270)
Share in result of associates	**(1,279,003)**	137,394	**-**	-	**-**	-	**(1,279,003)**	137,394
Negative goodwill	**32,175**	304,585	**-**	-	**-**	-	**32,175**	304,585
Gain on business combination (Note 11)	**2,024,595**	-	**-**	-	**-**	-	**2,024,595**	-
Taxation	**-**	-	**-**	-	**-**	-	**-**	(1,130)
Profit for the year	**-**	-	**-**	-	**-**		**204,150**	21,579
Assets:								
Segment assets	**9,401,823**	2,784,830	**-**	-	**419,404**	-	**9,821,227**	2,784,830
Investment in associates	**29,920,348**	41,076,933	**-**	-	**-**	-	**29,920,348**	41,076,933
Others	**10,638,327**	4,607,690	**-**	-	**3,122,710**	-	**13,761,037**	4,607,690
	49,960,498	48,469,453	**-**	-	**3,542,114**	-	**53,502,612**	48,469,453
Liabilities:								
Account payable and accruals	**3,830,583**	2,152,495	**-**	-	**291,304**	-	**4,121,887**	2,152,495
Employees' end of service benefits	**623,368**	199,107	**-**	-	**163,190**	-	**786,558**	199,107
	4,453,951	2,351,602	**-**	-	**454,494**	-	**4,908,445**	2,351,602
Other segmental information:								
Depreciation	**42,000**	47,158	**-**	-	**-**	-	**42,000**	47,158

15. FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities as defined in Note 2.

The fair values of financial instruments except financial assets available for sale stated in Note 8, are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

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

	Kuwaiti Dinars			
31 December 2018	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss				
Quoted equity securities	**2,347,187**	**2,347,187**	**-**	**-**
Unquoted equity securities	**2,325,000**	**-**	**-**	**2,325,000**
Financial assets at fair value through other comprehensive income				
Unquoted equity securities	**4,039,217**	**-**	**-**	**4,039,217**
	8,711,404	**2,347,187**	**-**	**6,364,217**
31 December 2017				
Financial assets at fair value through profit or loss				
Quoted equity securities	736,891	736,891	-	-
Unquoted equity securities	1,889,705	-	-	1,889,705
	2,626,596	736,891	-	1,889,705

The following table shows a reconciliation of the opening and closing amount of level 3 financial instruments which are recorded at fair value.

	Kuwaiti Dinars				
	As at 1 January 2018	**Gain recorded in the consolidated statement of income**	**Loss recorded in other Comprehensive income**	**Net purchases, sales settlements and business combination**	**As at 31 December 2018**
Financial assets at fair value					
Unquoted equity securities	**1,889,705**	**237,388**	**(302,453)**	**4,539,577**	**6,364,217**

	Kuwaiti Dinars				
	As at 1 January 2017	Gain recorded in the consolidated statement of income	Gain recorded in other Comprehensive income	Net purchases, sales and settlements	As at 31 December 2017
Financial assets at fair value					
Unquoted equity securities	1,458,653	473,271	-	(42,219)	1,889,705

During the year, there have been no transfers between the hierarchies.

Description of significant unobservable inputs to valuation of financial assets:

Local unquoted securities represent unlisted securities on local stock exchange. Unquoted equity securities are valued based on net book value method using latest available financial statement of the investee entity, wherein the underlying assets are fair valued, or based on last traded prices, adjusted for impairment losses, if any.

16. RISK MANAGEMENT

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into profit rate risk, currency risk and equity price risk. The Group is also subject to operational risk. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the Group's strategic planning process.

16.1 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 financing activities.

Maximum exposure to credit risk and risk concentration

With respect to credit risk arising from the financial assets of the Group, which comprise bank balances and cash, short-term murabaha investments, murabaha receivables and certain accounts receivable, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of contractual financial instruments. Where financial instruments are recorded at fair value, it represents the current maximum credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group's bank balances and short-term murabaha investments are held with high credit quality banks and financial institutions. In addition, murabaha receivables and receivable balances are monitored on an ongoing basis. As a result, the Group's exposure to bad debts is not significant.

Concentrations arise whe a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The table below shows the maximum exposure to credit risk and risk concentration for the contractual financial instruments. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements or credit enhancements:

	Kuwaiti Dinars	
	Gross maximum exposure	
	2018	2017
Bank balances and short-term murabaha investments:		
- Local banks and financial institutions	**6,629,372**	2,396,705
Accounts receivable	**1,048,414**	136,062
ECL	**(33,484)**	(1,272)
	7,644,302	2,531,495

The bank balances and short-term murabaha investments are from counter parties who are under investment grade credit rating. The accounts receivable are categorized under stage 2 and represent good credit risk quality.

Collateral and other credit enhancements

The Group does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2018 and 31 December 2017.

16.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in short-term murabaha or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations.

The liquidity profile of financial liabilities reflects the projected cash flows which includes future profit payments over the life of these financial liabilities. The liquidity profile of financial liabilities at 31 December is as follows:

31 December 2018	Kuwaiti Dinars				
	Within 1 month	**1 to 3 months**	**3 to 12 months**	**1 to 5 years**	**Total**
Accounts payable and accruals	-	**393,040**	**3,367,972**	**360,875**	**4,121,887**
Total financial liabilities	-	**393,040**	**3,367,972**	**360,875**	**4,121,887**

31 December 2017	Kuwaiti Dinars				
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Accounts payable and accruals	-	3,411	1,794,854	354,230	2,152,495
Total financial liabilities	-	3,411	1,794,854	354,230	2,152,495
Commitments	-	828,002	-	-	828,002

16.3 MARKET RISK

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

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration as disclosed in Note 16.4, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

16.3.1 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is not exposed to profit rate risk on its profit bearing assets and liabilities (short-term murabaha investments) as a result of reasonably possible changes in profit rates since the Group is not exposed to any fixed rate profit bearing assets and liabilities.

16.3.2 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk is managed by the Group on the basis of determined limits and a continuous assessment of the Group's open positions and current and expected exchange rate movements. Management believes that there is minimal risk of significant losses due to exchange rate fluctuations, and consequently the Group does not hedge foreign currency exposures.

The effect on profit for the year (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	Change in currency rate by 3%			
	31 December 2018		31 December 2017	
Currency	**Effect on profit for the year**	**Effect on other comprehensive income**	Effect on profit for the year	Effect on other comprehensive income
GBP	**24**	**849,242**	14	935,028
USD	**67,303**	**47,827**	33,499	61,791
SAR	**72,600**	**55,251**	8,884	-

16.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The equity price risk exposure arises from the Group's investment portfolio. The Group manages this through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Group's quoted investments are listed on the Stock Exchanges of the GCC countries.

The effect on profit for the year (as a result of a change in the fair value of financial assets at fair value through profit or loss) and on equity (as a result of a change in the fair value of financial assets carried at fair value through other comprehensive income) due to a reasonably possible change in active market indices, with all other variables held constant is as follows:

	Change in equity market index by 3%			
	31 December 2018		31 December 2017	
Market index	**Effect on profit for the year**	**Effect on other comprehensive income**	Effect on profit for the year	Effect on other comprehensive income
Kuwait	**41,293**	**-**	8,640	-
UAE	**13,842**	**-**	3,654	-
Saudi	**11,324**	**-**	8,327	-

16.3.4 Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

16.4 ASSET CONCENTRATIONS

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The distribution of assets by geographic region is as follows:

	Kuwaiti Dinars	
	2018	2017
Geographic region		
Kuwait	**16,436,153**	13,815,654
United Kingdom	**28,308,065**	31,167,607
GCC	**6,276,810**	1,687,461
United States of America	**2,258,383**	1,798,731
Malaysia	**223,201**	-
	53,502,612	48,469,453

The distribution of investments by industry sector is as follows:

	Kuwaiti Dinars	
	2018	2017
Industry sector		
Banks and financial and investment institutions	**28,988,241**	42,625,864
Real estate	**8,176,562**	2,254,810
Services	**2,457,065**	-
Insurance	**904,950**	803,980
Others	**-**	61,860
	40,526,818	45,746,514

17. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for financial assets at fair value through profit or loss, financial assets available for sale and investment properties is based on management's estimate of liquidation of those investments.

The maturity profile of assets and liabilities at 31 December was as follows:

2018	Kuwaiti Dinars		
	Up to 1 year	**Over 1 year**	**Total**
Assets:			
Bank balances and cash	**1,739,372**	-	**1,739,372**
Short-term murabaha investments	**4,890,000**	-	**4,890,000**
Accounts receivable and prepayments	**1,109,823**	-	**1,109,823**
Financial assets at fair value through profit or loss	**1,376,417**	**3,295,770**	**4,672,187**
Financial assets at fair value through other comprehensive income	-	**4,039,217**	**4,039,217**
Investment property	-	**1,895,066**	**1,895,066**
Investment in associates	-	**29,920,348**	**29,920,348**
Goodwill	-	**4,770,730**	**4,770,730**
Property, plant and equipment	-	**465,869**	**465,869**
Total assets	**9,115,612**	**44,387,000**	**53,502,612**
Liabilities:			
Accounts payable and accruals	**3,761,012**	**360,875**	**4,121,887**
Employees' end of service benefits	-	**786,558**	**786,558**
Total liabilities	**3,761,012**	**1,147,433**	**4,908,445**
LIQUIDITY SURPLUS	**5,354,600**	**43,239,567**	**48,594,167**

2017	Kuwaiti Dinars		
	Up to 1 year	Over 1 year	Total
Assets:			
Bank balances and cash	1,846,705	-	1,846,705
Short-term murabaha investments	550,000	-	550,000
Accounts receivable and prepayments	158,234		158,234
Financial assets at fair value through profit or loss	736,891	1,889,705	2,626,596
Financial assets available for sale	-	2,042,985	2,042,985
Investment in associates	-	41,076,933	41,076,933
Property, plant and equipment	-	168,000	168,000
Total assets	3,291,830	45,177,623	48,469,453
Liabilities:			
Accounts payable and accruals	2,152,495	-	2,152,495
Employees' end of service benefits	-	199,107	199,107
Total liabilities	2,152,495	199,107	2,351,602
LIQUIDITY SURPLUS	1,139,335	44,978,516	46,117,851

18. FIDUCIARY ASSETS

In its capacity as manager of portfolios and funds belonging to third parties, the Parent Company manages investments and bank accounts amounting to KD 2,860,122 (2017: KD 2,818,195) in its own name as a nominee on behalf of third parties. These assets are not included in the consolidated statement of financial position of the Group. Income from the managed portfolios and funds amounts to KD 42,983 for the year ended 31 December 2017 (2017: KD 27,289).

19. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may reduce the amount of borrowings, adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.