INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NATIONAL INVESTMENTS COMPANY K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Investments Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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

Key Audit Matters *(continued)*

a) Valuation of investment securities

Investment securities comprises of financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The valuation of the Group's investment securities involve the exercise of judgment by the management and the use of assumptions and estimates, most predominantly for the instruments classified under level 2 and level 3. Key judgments applied by management in valuation of the Group's investment securities carried at fair value include determination of price to book multiples from comparable companies, identification of recent sales transactions, calculated Net Asset Value (NAV) and fair value from third party managers including application of illiquidity discounts in certain cases. Due to these estimation uncertainties, this is considered a key audit matter. The Group's policies on valuation of investments securities are presented in accounting policies and in Notes 2.5 and 12 of the consolidated financial statements.

As part of our audit procedures we have tested the level 1 fair valuations by comparing the fair values applied by the Group with publicly available market data. For level 2 and 3 valuations we evaluated the models and the assumptions used by the management and the reliability of the data that was used as input to these models, comparing the models used with prior years. We further assessed that the main assumptions and related uncertainties are appropriately reflected in the disclosure in Note 26 of the consolidated financial statements.

b) Fair valuation of investment properties

The investment properties represent a significant part of the total assets of the Group with a carrying value of KD 31,672 thousand at the 31 December 2018.

The fair value of Group's investment properties have been determined by external real estate appraisers. The determination of fair value of the investment properties is dependent on key inputs, such as rental value, maintenance status, market knowledge and historical transactions, which, although not directly observable, but are corroborated by observable market data. The disclosures relating to the inputs are relevant, given the estimation uncertainty involved in these valuations. Given the size and complexity of the valuation of investment properties, and the importance of the disclosures relating to the inputs used in such valuations, we have considered this as a key audit matter.

We have tested the inputs and assumptions made by management of the Group and the appropriateness of the properties' related data supporting the external appraisers' valuations. We performed procedures for areas of risk and estimation. This included, where relevant, comparison of judgments made to current market practices

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

Key Audit Matters *(continued)*

b) Fair valuation of investment properties (continued)

and challenging the valuations on a sample basis. Further, we have considered the objectivity, independence and expertise of the external real estate appraisers. We also assessed the appropriateness of the disclosures relating to the investment properties of the Group in Note 14 to the consolidated financial statements.

Other information included in the Group's 2018 Annual Report

Management is responsible for the other information. Other information consists of the information included in Group's 2018 Annual Report, other than the consolidated financial statements and our auditors' report thereon. We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's 2018 Annual Report after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

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

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

- 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, 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, as amended and its executive regulations, as amended, 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 financial position.

Report on Other Legal and Regulatory Requirements *(continued)*

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

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

20 March 2019
Kuwait

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

	Notes	2018 KD 000's	2017 KD 000's
INCOME			
Realised gain (loss) on financial assets at fair value through profit or loss		1,140	(398)
Unrealised gain on financial assets at fair value through profit or loss		2,396	930
Realised gain on financial assets available-for-sale		-	8,315
Change in fair value of investment properties	14	162	229
Rental income	14	1,673	1,797
Dividend income	3	5,752	3,457
Gain on sale of investment properties		-	555
Management, incentive and advisory fees		2,904	3,096
Interest income		74	60
Share of results of associates	13	950	1,639
Gain on foreign exchange trading		255	137
Other income	4	30	1,022
TOTAL INCOME		15,336	20,839
EXPENSES			
Finance costs		312	326
Administrative expenses	5	6,761	6,584
Impairment losses and other provisions	6	40	2,702
Loss on foreign currency translation		214	216
TOTAL EXPENSES		7,327	9,828
PROFIT FOR THE YEAR BEFORE TAXATION AND DIRECTORS' REMUNERATION		8,009	11,011
Taxation	7	(357)	(405)
Directors' remuneration		(54)	(185)
PROFIT FOR THE YEAR		7,598	10,421
Attributable to:			
Equity holders of the Parent Company		7,365	10,307
Non-controlling interests	20	233	114
		7,598	10,421
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT COMPANY	8	9 fils	12 fils

The attached notes 1 to 28 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 KD 000's	2017 KD 000's
Profit for the year		**7,598**	10,421
Other comprehensive income (loss):			
Items that will not be reclassified to consolidated income statement in subsequent periods:			
Change in fair value of equity instruments at fair value through other comprehensive income		**2,110**	-
Items that are or may be reclassified in subsequent periods to the consolidated income statement:			
Financial assets available for sale (IAS 39):			
- Net unrealised gain on financial assets available-for-sale	18 (e)	-	2,548
- Realised gain on financial assets available-for-sale transferred to consolidated income statement	18 (e)	-	(5,819)
- Impairment loss on financial assets available-for-sale transferred to consolidated income statement	18 (e)	-	2,070
Share of other comprehensive income of associates	13 & 18(e)	**106**	210
Foreign currency translation adjustments	18 (e)	**52**	(434)
Foreign currency translation reserve transferred to consolidated income statement on liquidation of a subsidiary		**590**	-
Realised loss on derecognition of an associate on a merger transaction		-	258
Realised loss on derecognition of a subsidiary on a merger transaction		-	270
		748	(897)
Other comprehensive income (loss) for the year		**2,858**	(897)
Total comprehensive income for the year		**10,456**	9,524
Attributable to:			
Equity holders of the Parent Company		**10,195**	9,505
Non-controlling interest		**261**	19
		10,456	9,524

The attached notes 1 to 28 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	*2018* KD 000's	*2017* KD 000's
ASSETS			
Cash and balances with banks and financial institutions	9	**11,324**	7,120
Financial assets at fair value through profit or loss	10	**68,890**	20,049
Trading properties	11	**479**	477
Financial assets at fair value through other comprehensive income	12	**50,534**	-
Financial assets available-for-sale	12	**-**	91,159
Investment in associates	13	**32,020**	33,141
Investment properties	14	**31,672**	31,266
Other assets	15	**2,360**	10,383
TOTAL ASSETS		**197,279**	193,595
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	16	**6,632**	6,703
Accounts payable and accruals	17	**7,963**	7,570
TOTAL LIABILITIES		**14,595**	14,273
EQUITY			
Share capital	18	**87,621**	87,621
Share premium	18	**49,593**	49,593
Statutory reserve	18	**6,565**	5,787
Treasury shares	18	**(9,015)**	(7,977)
Treasury shares reserve		**26,588**	26,588
Other reserve		**43**	-
Foreign currency translation reserve		**530**	(84)
Cumulative changes in fair value		**3,407**	3,167
Retained earnings		**12,194**	9,217
Equity attributable to the equity holders of the Parent Company		**177,526**	173,912
Non-controlling interests	20	**5,158**	5,410
TOTAL EQUITY		**182,684**	179,322
TOTAL LIABILITIES AND EQUITY		**197,279**	193,595

Hamad Ahmad Al-Ameeri
Chairman

Fahad Abdulrahman Al-Mukhaizim
Chief Executive Officer

The attached notes 1 to 28 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company											
	Share capital	*Share premium*	*Statutory reserve*	*Treasury shares*	*Treasury shares reserve*	*Other reserve*	*Foreign currency translation reserve*	*Cumulative changes in fair value*	*Retained earnings*	*Sub-total*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
As at 1 January 2018	87,621	49,593	5,787	(7,977)	26,588	-	(84)	3,167	9,217	173,912	5,410	179,322
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 3)	-	-	-	-	-	-	-	(1,305)	1,305	-	-	-
Balance as at 1 January 2018	87,621	49,593	5,787	(7,977)	26,588	-	(84)	1,862	10,522	173,912	5,410	179,322
Profit for the year	-	-	-	-	-	-	-	-	7,365	7,365	233	7,598
Other comprehensive income for the year	-	-	-	-	-	-	614	2,216	-	2,830	28	2,858
Total comprehensive income for the year	-	-	-	-	-	-	614	2,216	7,365	10,195	261	10,456
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-	(671)	671	-	-	-
Transfer to statutory reserve	-	-	778	-	-	-	-	-	(778)	-	-	-
Purchase of treasury shares	-	-	-	(1,038)	-	-	-	-	-	(1,038)	-	(1,038)
Dividend paid (Note 18f)	-	-	-	-	-	-	-	-	(5,586)	(5,586)	-	(5,586)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(513)	(513)
Partial disposal of subsidiary without loss of control	-	-	-	-	-	43	-	-	-	43	-	43
As at 31 December 2018	**87,621**	**49,593**	**6,565**	**(9,015)**	**26,588**	**43**	**530**	**3,407**	**12,194**	**177,526**	**5,158**	**182,684**

The attached notes 1 to 28 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2018

	Attributable to equity holders of the Parent Company										
	Share capital	*Share premium*	*Statutory reserve*	*Treasury shares*	*Treasury shares reserve*	*Foreign currency translation reserve*	*Cumulative changes in fair value*	*Retained earnings*	*Sub-total*	*Non-controlling interests*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*	*KD 000's*
As at 1 January 2017	87,621	49,593	16,721	(5,411)	26,546	255	3,630	(7,819)	171,136	9,055	180,191
Profit for the year	-	-	-	-	-	-	-	10,307	10,307	114	10,421
Other comprehensive loss for the year	-	-	-	-	-	(339)	(463)	-	(802)	(95)	(897)
Total comprehensive (loss) income for the year	-	-	-	-	-	(339)	(463)	10,307	9,505	19	9,524
Transfer to statutory reserve	-	-	1,090	-	-	-	-	(1,090)	-	-	-
Purchase of treasury shares	-	-	-	(4,153)	-	-	-	-	(4,153)	-	(4,153)
Sale of treasury shares	-	-	-	1,587	42	-	-	-	1,629	-	1,629
Write off of accumulated losses (Note 18c)	-	-	(7,819)	-	-	-	-	7,819	-	-	-
Dividend (Note 18f)	-	-	(4,205)	-	-	-	-	-	(4,205)	-	(4,205)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	(714)	(714)
Loss of control of a subsidiary	-	-	-	-	-	-	-	-	-	(2,950)	(2,950)
As at 31 December 2017	87,621	49,593	5,787	(7,977)	26,588	(84)	3,167	9,217	173,912	5,410	179,322

The attached notes 1 to 28 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 KD 000's	2017 KD 000's
OPERATING ACTIVITIES			
Profit for the year before taxation and directors' remuneration		**8,009**	11,011
Adjustments for:			
Unrealised gain on financial assets at fair value through profit or loss		**(2,396)**	(930)
Realised gain on financial assets available-for-sale		**-**	(8,315)
Change in fair value of investment properties	14	**(162)**	(229)
Dividend income	3	**(5,752)**	(3,457)
Interest income		**(74)**	(60)
Share of results of associates	13	**(950)**	(1,639)
Finance costs		**312**	326
Depreciation	5	**208**	145
Impairment losses	6	**40**	2,702
Other income	4	**(30)**	(1,022)
Gain on sale of investment properties		**-**	(555)
		(795)	(2,023)
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss		**(4,835)**	1,039
Trading properties		**(4)**	(31)
Other assets		**6,015**	(1,396)
Accounts payable and accruals		**785**	(373)
Cash from (used in) operations		**1,166**	(2,784)
Interest income received		**74**	60
Tax paid		**(398)**	(11)
Net cash flows from (used in) operating activities		**842**	(2,735)
INVESTING ACTIVITIES			
Capital reduction and liquidation proceeds of associates		**2,914**	3,259
Purchase of associates		**(1,904)**	(4,485)
Purchase of financial assets available-for-sale		**-**	(50,034)
Proceeds from sale of financial assets available-for-sale		**-**	52,480
Purchase of financial assets at FVOCI		**(19,564)**	-
Proceeds from sale of financial assets at FVOCI		**22,453**	-
Additions to investment properties	14	**(244)**	(349)
Dividend from associates		**1,226**	253
Dividend income received		**5,747**	3,462
Net cash flows from investing activities		**10,628**	4,586

The attached notes 1 to 28 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2018

	Notes	2018 KD 000's	2017 KD 000's
FINANCING ACTIVITIES			
Short term borrowing (repaid) availed		**(71)**	1,620
Purchase of treasury shares		**(1,038)**	(4,153)
Sale of treasury shares		**-**	1,629
Finance costs paid		**(285)**	(352)
Dividend paid		**(5,359)**	(3,990)
Movement in non-controlling interests		**(513)**	(714)
Net cash flows used in financing activities		**(7,266)**	(5,960)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,204**	(4,109)
Cash and cash equivalents at 1 January		**7,120**	12,622
Less: cash and cash equivalents on deconsolidation of a subsidiary		**-**	(1,393)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**11,324**	7,120

The attached notes 1 to 28 form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2018

1. CORPORATE INFORMATION

The Group comprises National Investments Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"). The Parent Company is a Public Kuwait Shareholding Company incorporated on 6 December 1987, and listed on the Kuwait Stock Exchange. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") for financing activities and Capital Market Authority ("CMA") as an investment company.

The purposes and objectives of the Parent Company are as follows:

- Undertaking all financial brokerage works and associated activities.
- Carrying out all financial transactions such as lending, borrowing, acting as a guarantor and issuance of bonds of all kinds with or without collateral in both local and global markets.
- Incorporating or participation in the incorporation of companies of all different types, purposes and nationalities as well as selling and purchasing of their shares, issued bonds and financial rights.
- Undertaking all the activities related to securities, including selling and purchase of all types of bonds and shares whether those issued by local and global private sector, governmental or semi-governmental companies.
- Managing financial portfolios, investing and developing its customers' funds by utilizing them in all local and global investment aspects.
- Investing in real estate, industrial, agricultural sectors and other economic sectors by participation in incorporating specialized companies or purchase of their shares.
- Undertaking real estate investments aiming at developing residential lands and building units, residential and commercial complexes with a view to sell or lease them.
- Carrying out research and studies relating to capital investment and providing all associated services to third parties.
- Acting as issuance managers for bonds issued by companies or agencies.
- Establishment and management of investment funds for its own and others' account as well as issuing units for subscription and acting as manager for investment funds inside and outside the country in accordance with the applicable decisions and laws in the country.
- Managing funds of private and public institutions as well as investing and developing these funds in various economic sectors, including management and utilization of real estate portfolios in all local and global investment aspects.
- Providing and preparing research, studies as well as technical, economic and evaluation consultations in addition to studying investment projects and preparing required studies for institutions, companies and business sectors of all types.
- Dealing and trading in foreign currency exchange and precious metals market inside and outside Kuwait for its own account without prejudice to the prohibition stipulated by ministerial resolution issued concerning the Central Bank of Kuwait regulation of investment companies.

1. CORPORATE INFORMATION *(continued)*

- Carrying out all financial, consulting and investment services which help in fulfilling the needs of the financial and monetary market in Kuwait.
- Owning industrial property rights, patents, industrial and commercial trademarks, commercial royalties, literary and intellectual rights relating to software, publications as well as utilizing and franchising them to other bodies.

The Parent Company may have an interest or participate in any manner with bodies performing activities similar to its own to assist the Parent Company in achieving its purpose inside or outside Kuwait. It may also establish, participate, merge or buy such corporations.

The Parent Company's registered head office is at Khaleejia Complex, Al Mutanabi Street, Kuwait.

The consolidated financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Parent Company's Board of Directors on 20 March 2019 and are subject to the approval of the General Assembly of the shareholders of the Parent Company. The Annual General Assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements. The Annual General Assembly of the shareholders of the Parent Company held on 17 April 2018 approved the Group's consolidated financial statements for the year ended 31 December 2017.

Details of subsidiaries are given in Note 2.2.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements are prepared under the historical cost convention except for the revaluation at fair value of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties and derivatives financial instruments that have been measured at fair value.

2.1 BASIS OF PREPARATION *(continued)*

The consolidated financial statements have been presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency, and all values are rounded to the nearest KD thousand except when otherwise stated.

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 25.2.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

2.2 BASIS OF CONSOLIDATION *(continued)*

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All Intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

Details of material subsidiary companies are as follows:

Name	Country of Incorporation	% Holding		Principal activities
		2018	2017	
International Infrastructure Holding Co. K.S.C. (Closed)	Kuwait	**99**	99	Investments
Gulf Investments Company EC ("GIC") (Under liquidation)*	Bahrain	**99**	99	Investments
National Investment Company S.A.L.	Lebanon	**100**	100	Property development
Al-Bawaba Al-Watania General Trading & Cont. Co. W.L.L	Kuwait	**99**	99	Trading and Contracting
National Gate for Computer Systems Company K.S.C. (Closed)	Kuwait	**99**	99	Information technology
Sapphire International Holding Limited (liquidated in July 2018)	British Virgin Islands	**-**	100	Investments
National Investment Co. Holding S.A.L.	Lebanon	**99**	99	Investments
Al Mada Investment Fund ("Al Mada")	Bahrain	**49.23**	48.51	Investments

* The Parent Company has taken full provision against the carrying value of its investment in the subsidiary at 31 December 1992 amounting to KD 4,921 thousand. Further, the subsidiary has been inactive for a number of years. During 2014, GIC's shareholders have approved the voluntary liquidation of GIC in the extra ordinary general meeting held on 5 May 2014. GIC is now represented by the liquidation committee.

2.3 CHANGES IN ACCOUNTING POLICIES

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous financial year, except for the adoption of the amendments to the existing standards relevant to the Group, effective as of 1 January 2018. The nature and the impact of each amendment is described below:

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 and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. The adoption of this standard will result into change in accounting policies as discussed below:

Incentive fees

Incentive fees are recognised when earned, being the time the risk of realisation of such fees no longer exists. Under IFRS 15, incentive-based fees will not be recognised until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The recognition of incentive-based fees will require significant judgement and are unlikely to be recognised in full until they have crystallised or are no longer subject to clawback.

2.3 CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 15 Revenue from Contracts with Customers (continued)

Advisory income

For revenue from advisory fees for the provision of services over a period of time, the Group previously accrued revenue over that period. Under IFRS 15, the Group applies significant judgement to identify the performance obligations in an advisory service contract and whether each service is capable of being distinct in the context of contract. Revenue from these performance obligations are recognized either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer.

The changes in above accounting policies does not have any material effect on the Group's consolidated financial statements.

IFRS 9 - *Financial Instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Group's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Group's financial assets:

- Equity securities that the Group intends to hold for the long term for strategic purposes have been irrevocably designated at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- Equity securities that the Group designated as at FVTPL under IAS 39 because they were managed on a fair value basis and their performance was monitored on this basis have been classified as mandatorily measured at FVTPL under IFRS 9 beginning 1 January 2018.

2.3 CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 9 - *Financial Instruments (continued)*

a) Classification and measurement (continued)

- Managed funds classified as Available-for-sale (AFS) financial assets as at 31 December 2017 and fail to meet the SPPI criterion have been classified and measured at FVPTL under IFRS 9.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

The IFRS 9 impact of required or elected reclassifications as at 1 January 2018 is disclosed under "*Transition to IFRS 9*" on the following page.

b) 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 balances with bank and financial institutions and other assets including limited credit facilities. The Group is also required to calculate provision for credit losses on credit facilities in accordance with instructions issued by the CBK in respect of the classification of credit facilities and calculation of provisions. Impairment of credit facilities shall be recognised at the higher of ECL under IFRS 9 according to the CBK guidelines, and the provisions required by the CBK instructions. With respect to other assets carried at amortised cost with no financing component and which have maturities of less than 12 months, the Group has adopted an approach similar to the simplified approach to ECLs.

The Group's accounting policies for impairment of financial assets is explained in Note 2.5.

c) Hedge accounting

At the date of initial application, the Group had no existing hedging relationships and therefore the new general hedge accounting model in IFRS 9 has no impact on the Group.

d) Transition to IFRS 9

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

2.3 CHANGES IN ACCOUNTING POLICIES *(continued)*

IFRS 9 - *Financial Instruments (continued)*

d) Transition to IFRS 9 (continued)

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

The impact of this change in accounting policy as at 1 January 2018 has resulted in an increase in retained earnings by KD 1,305 thousand and a decrease in the fair value reserve by KD 1,305 thousand as follows:

	Retained earnings KD 000's	*Cumulative changes in fair value KD 000's*
Closing balance under IAS 39 (31 December 2017)	9,217	3,167
Impact on reclassification:		
Investment securities (equity and mutual funds) from available-for-sale to FVTPL	1,305	(1,305)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**10,522**	**1,862**

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 and financial liabilities as at 1 January 2018.

2.3 CHANGES IN ACCOUNTING POLICIES *(continued)*

	Original classification under IAS 39	*Original carrying amount under IAS 39 KD 000's*	*New classification under IFRS 9*	*New carrying amount under IFRS 9 KD 000's*
Cash and balances with banks and financial institutions	Loans and receivables	7,120	Amortised cost	7,120
Quoted equity investments	FVTPL	12,640	FVTPL	12,640
Quoted equity investments	FVTPL	7,409	FVOCI	7,409
Quoted equity investments	Available-for-sale	17,793	FVTPL	17,793
Quoted equity investments	Available-for-sale	23,459	FVOCI	23,459
Unquoted equity investments	Available-for-sale	4,648	FVTPL	4,648
Unquoted equity investments	Available-for-sale	18,681	FVOCI	18,681
Mutual funds	Available-for-sale	26,578	FVTPL	26,578
Management fees and other receivables	Loans and receivables	6,495	Amortised cost	6,495

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

Amendments to IAS 40 - *Transfers of Investment Property*

The amendment is applied prospectively, however, retrospective application in accordance with IAS 8 is permitted if possible without the use of hindsight. The amendment clarifies when an entity should transfer property, including property under construction or development into, or out of, investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. This is effective for accounting periods beginning on or after 1 January 2018. There has been no change in use of any of the Group's investment property.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below:

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.
The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IAS 28: *Long-term interests in associates and joint ventures*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE *(continued)*

Amendments to IAS 28: *Long-term interests in associates and joint ventures (continued)*

net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from 1 January 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated income statement.

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

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

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:

Fee and commission income
The Group earns fee and commission income from diverse range of asset management, custody and advisory services provided to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include management fees and advisory fees. Incentive fees is recognised when crystallised or are no longer subject to clawback.

Dividend income
Dividend income is recognised when the Group's right to receive payment is established, which is generally when shareholders approve the dividend.
Rental income
The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms.

Interest income
Interest income is recognised as interest accrues using the effective yield method.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)
The Group calculates the contribution to KFAS at 1% of profit for the year in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the period when determining the contribution.

National Labour Support Tax (NLST)
The Group calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the period. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST are deducted from the profit for the year when determining taxable profit.

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

Income tax
Taxation on the Group components is provided in accordance with fiscal regulations applicable to each country of operation.

Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes cash and balances with banks and financial institutions, less due to bank and other short-term borrowings due within three months of the contract date.

Leases

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

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated income statement.

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

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

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Finance costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of recognition
Financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Receivables are measured at the transaction price.

Measurement categories of financial assets and liabilities
From 1 January 2018, the Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

Before 1 January 2018, the Group classified its financial assets as loans and receivables, financial assets at FVTPL, financial assets available for sale and derivative financial instruments. Whereas, the Group financial liabilities included interest bearing loans and other liabilities.

Financial liabilities, other than commitments and guarantees, are measured at amortised cost or at FVTPL when they are held for trading and derivative instruments or the fair value designation is applied.

i) Financial assets

The Group determines the classification of financial assets based on the business model it uses to manage the financial assets and the contractual cash flow characteristics of the financial assets.

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 FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and 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;

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial assets *(continued)*

Business model assessment (continued)

- 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.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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 that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. 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 profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial assets *(continued)*

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

Debt instruments at amortised cost
A financial asset which is a debt instrument, is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- 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 solely payments of principal and interest (SPPI) on the principal amount outstanding.

Balances with banks and financial institutions and other assets are classified as debt instruments at amortised cost.

Debt instruments at amortised cost are subsequently measured at amortised cost using the effective interest method adjusted for impairment losses, if any. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated income statement. Any gain or loss on derecognition is recognised in the consolidated income statement.

Equity instruments 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 investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the consolidated income statement. Dividends are recognised in consolidated income statement 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 OCI. Equity investments at FVOCI are not subject to impairment assessment.

Equity instruments at FVTPL
The Group classifies equity instruments at fair value through profit and loss 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. Held-for-trading assets are recorded and measured in the statement of financial position at fair

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial assets *(continued)*

Equity instruments at FVTPL (continued)

value. 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.

Changes in fair values, interest income and dividends are recorded in consolidated income statement according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities and funds.

Financial assets available for sale (AFS) – Policy applicable before 1 January 2018
Financial assets available for sale are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables or held for trading. After initial measurement, financial assets available for sale are measured at fair value with unrealised gains or losses being recognised in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss recorded in other comprehensive income is recognised in the consolidated income statement, or determined to be impaired, at which time the cumulative loss previously recorded in other comprehensive income is recognised in the consolidated income statement. Financial assets available for sale whose fair value cannot be reliably measured are carried at cost less impairment losses, if any. Interest earned whilst holding financial assets available for sale is reported as interest income using the effective interest rate method.

Loans and receivables – Policy applicable before 1 January 2018
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of comprehensive income. The losses for loans and receivables arising from impairment are recognised in the consolidated income statement.

Reclassification of financial assets
The Group does not reclassify its financial assets subsequent to their initial recognition except under circumstances in which the Group acquires, disposes of, or terminates a business line.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial assets *(continued)*

Derivatives
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

The Group enters into derivative financial instruments including foreign exchange forward contracts. Derivatives are stated at fair value. The fair value of a derivative includes unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models. Foreign currency derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in accounts payable and accruals in the consolidated statement of financial position.

The resultant gains and losses from derivatives are included in the consolidated income statement.

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

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

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

ii) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include due to bank and other liabilities.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Financial liabilities *(continued)*

The Group has determined the classification and measurement of its financial liabilities as follows:

Due to banks
After initial recognition, amounts due to banks are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in consolidated income statement when the liabilities are derecognised as well as through the EIR amortisation process.

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

Installments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues in the consolidated income statement, with unpaid amounts included in accrued expenses under 'other liabilities'.

Other liabilities
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

iii) Offsetting of financial instruments

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

Impairment of financial assets *(Policy applicable from 1 January 2018)*

The group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(Policy applicable from 1 January 2018) (continued)*

The Group computes Expected Credit Losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- Balance with banks and financial institutions
- Other assets

Equity investments are not subject to ECL.

Determination of ECL on balance with banks and financial institutions and other assets
With respect to the balance with banks and financial institutions, management and incentive fee receivables (included under other assets), the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses as the simplified approach does not require the changes in credit risk to be tracked. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Group's economic environment.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Provisions for credit losses in accordance with CBK instructions

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions for credit losses in accordance with CBK instructions *(continued)*

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

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

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

Impairment of financial assets *(Policy applicable before 1 January 2018)*

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and advances

Loans and advances are subject to credit risk provision for loan impairment if there is objective evidence that the Group will not be able to collect all amounts due. The amount of the provision is difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amount recoverable from guarantee and collateral, discounted based on the contractual interest rate. The amount of loss arising from impairment is taken to the consolidated income statement.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(Policy applicable before 1 January 2018) (continued)*

In addition, in accordance with CBK instructions, a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities is made on all applicable credit facilities (net of certain categories of collateral), that are not provided for specifically.

Financial assets available-for-sale
For financial assets available-for-sale, the Group assesses at each reporting date whether there is objective evidence that a financial asset available-for-sale or a group of financial assets available-for-sale is impaired.

In the case of equity investments classified as financial assets available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the equity investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on those financial assets available-for-sale previously recognised in the consolidated income statement, is removed from other comprehensive income and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increase in their fair value after impairment is recognised directly in other comprehensive income.

The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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.

A 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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

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

For mutual fund investments, fair value is determined based on net asset values reported by the fund managers.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by using valuation techniques, such as recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, price multiples of relevant sector and comparable quoted companies discounted at current rates applicable for items with similar terms and risk characteristics. Fair value estimates take into account liquidity constraints and assessment for any impairment.

The fair value of interest bearing financial instruments is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.
The fair value of unquoted derivatives is determined either by discounted cash flows or by reference to a broker's quotes.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

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. An analysis of fair value of financial instruments and further details as to how they are measured are provided in Note 26.

Trading properties

Trading properties are carried at the lower of cost and net realisable value on an individual basis. Cost comprises the purchase price of the property and other expenses in order to complete the transaction. Net realisable value is based on estimated selling price less any further costs to be incurred on disposal. The estimated selling price is assessed as the value assessed by an accredited external independent valuator on an annual basis. Reductions in carrying value are taken to the consolidated income statement.

Investment in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associates are accounted for using the equity method. Under the equity method, the investment in the associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the statement of comprehensive income of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the consolidated statement of comprehensive income.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment in associates *(continued)*

The financial statements of the associates are prepared for the same reporting period as the Group and in case of different reporting date of associates, which are not more than three months, from that of the Group, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's consolidated financial statements. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated income statement.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise. Fair values are evaluated annually and recorded at the lower of the valuations assessed by at least two accredited external independent valuators for local properties and for foreign properties, it is based on a valuation by an accredited external independent valuator.

Investment properties are derecognised when either they have been disposed of or when the investment property is 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 income statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where the Parent Company uses only part of a property it owns, the utilisation of the insignificant portion is regarded as immaterial, which means that the whole property is stated at market value as an investment property.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fiduciary assets

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

Treasury shares

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

Provisions

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

Dividend distribution

The Group recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Group. As per the companies law, a distribution is authorised when it is approved by the Shareholders at the annual general assembly. A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Employees' end of service benefits

The Group provides employees' end of service benefits to its employees in accordance with Labour Law applicable to each country of operation. The expected costs of these benefits are accrued over the period of employment.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employees' end of service benefits *(continued)*

With respect to its Kuwaiti employees, the Group makes contributions to Public Institution for Social Security as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Foreign currency translation

The consolidated financial statements are presented in Kuwaiti Dinars, which is the Parent Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

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

Group companies
As at the reporting date, the assets and liabilities of foreign subsidiaries, and the carrying amount of foreign associates, are translated into the Parent Company's presentation currency (the Kuwaiti Dinars) at the rate of exchange ruling at the reporting date, and their income statement are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken to the consolidated statement

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

Group companies (continued)

of comprehensive income as foreign exchange translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular foreign operation is recognised in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Contingencies

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

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

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment, which is subject to risks and rewards that are different from those of other segments.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgements

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

Classification of financial instruments
Judgements are made in the classification of financial instruments based on management's intention at acquisition.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Judgements *(continued)*

Operating lease commitments–Group as lessor
The group has entered into commercial property lease on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties, and accordingly accounts for the contracts as operating leases.

Classification of financial assets
Effective from 1 January 2018 (IFRS 9)
The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Effective before 1 January 2018 (IAS 39)
Management has to decide on acquisition of financial assets whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Group considers the primary purpose for which it is acquired and how it intends to manage and report performance.

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 other comprehensive income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer Note 2.5 impairment of financial assets for more information.

Classification of real estate property
Management decides on acquisition of real estate whether it should be classified as trading or investment property.

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

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

Control assessment
When determining control, management considers whether the Group has the practical ability to direct the relevant activities of an investee on its own to generate returns for itself. The assessment of relevant activities and ability to use its power to affect variable return requires considerable judgement.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Estimation uncertainty and assumptions

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

Impairment of financial assets

Applicable before 1 January 2018
The Group treats equity financial assets available-for-sale as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.
Applicable after 1 January 2018
The Group reviews its loans and receivables on a regular basis to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

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

Valuation of derivative financial instruments
Valuation of derivative financial instruments is normally based on one of the following:

- Active market quoted price for the exchange traded derivative financial instrument;
- Active market quoted prices for the valuation drivers of the derivative instruments e.g. foreign currency rates, equity prices and interest rates.

Valuation of investment properties
The Group estimates the fair value of investment properties using at least two external independent valuators for local properties and an external independent valuator for foreign properties, who make considerable judgment and assumptions to reflect the market conditions at the reporting date.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS *(continued)*

Estimation uncertainty and assumptions *(continued)*

Impairment of 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 associated companies, 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 associates and its carrying value and recognises the amount in the consolidated income statement.

3. DIVIDEND INCOME

	2018 KD 000's	2017 KD 000's
Financial assets at fair value through profit or loss	4,034	971
Financial assets at fair value through other comprehensive income	1,718	-
Financial assets available-for-sale	-	2,486
	5,752	3,457

4. OTHER INCOME

	2018 KD 000's	2017 KD 000's
Gain on fair valuation of financial assets upon reclassification to investment in associates	-	855
Gain on bargain purchase of additional interests in associates	30	233
Net loss on merger of Seef and Wasseet	-	(158)
Others	-	92
	30	1,022

5. ADMINISTRATIVE EXPENSES

	2018 KD 000's	2017 KD 000's
Staff costs	4,776	4,545
Other administrative expenses	1,777	1,894
Depreciation	208	145
	6,761	6,584

6. IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2018 KD 000's	2017 KD 000's
Impairment on financial assets available-for-sale (Note 12)	-	2,070
Impairment loss on associates (Note 13)	-	998
Reversal of provisions no longer required	-	(1,142)
Write down in value of trading properties	-	182
Others	40	594
	40	2,702

7. TAXATION

	2018 KD 000's	2017 KD 000's
Kuwait Foundation for the Advancement of Sciences (KFAS)	65	89
National Labour Support Tax (NLST)	210	229
Zakat	82	82
Tax expenses of overseas subsidiary	-	5
	357	405

8. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year less treasury shares.

	2018 KD 000's	2017 KD 000's
Profit for the year attributable to equity holders of the Parent Company	7,365	10,307
Weighted average number of shares outstanding during the year (excluding treasury shares)	799,239,146	837,160,985
Basic and diluted earnings per share attributable to the equity holders of the Parent Company	9 fils	12 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows consist of the following:

	2018 KD 000's	2017 KD 000's
Cash and balances with banks	10,846	6,600
Cash and balances with financial institutions	478	520
	11,324	7,120

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	*2017*
	KD 000's	*KD 000's*
Financial assets held for trading:		
Local quoted securities	12,506	11,957
Foreign quoted securities	16,810	8,092
Unquoted equity investments	3,271	-
Unquoted mutual fund investments (investing in quoted securities)	36,303	-
	68,890	20,049

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 26.

The unquoted mutual fund investments are mainly carried at net asset values provided by the fund managers.

11. TRADING PROPERTIES

Trading properties represent properties in Lebanon.

The properties are valued at the lower of cost and net realisable value. Based on an independent market valuation carried out by a registered real estate assessor with relevant experience in the market in which the properties are situated, the net realisable value of KD 664 thousand (2017: KD 634 thousand) is higher than its cost of KD 479 thousand (2017: KD 477 thousand). During the year, the Parent Company did not record a write down in value of trading properties (2017: 182 thousand).

Fair value hierarchy disclosures for trading properties have been provided in Note 26.

12. FINANCIAL INVESTMENTS

	2018 KD 000's	2017 KD 000's
Financial assets at fair value through other comprehensive income (IFRS 9):		
Quoted equity investments	30,790	-
Unquoted equity investments	19,744	-
Available-for-sale investments (under IAS 39)		
Quoted equity investments	-	41,252
Unquoted equity investments	-	23,329
Unquoted mutual fund investments (investing in quoted securities)	-	26,578
	50,534	91,159

During 2018, the Group has not charged any impairment loss (2017: KD 620 thousand) against quoted equity investments.

Unquoted equity investments are fair valued using fair valuation techniques which resulted in a net unrealised loss of KD 325 thousand during the year (2017: unrealised loss of KD 1,116 thousand) recorded in other comprehensive income.
The unquoted mutual fund investments are transferred to FVTPL as result of adoption of IFRS 9 on 1 January 2018.

The hierarchy for determining and disclosing the fair values of financial instruments by valuation technique are presented in Note 26.

13. INVESTMENT IN ASSOCIATES

The details of associates are as follows:

Name of company	Interest in equity		Country of registration	Principal activities
	2018	2017		
Al Waseet Financial Business Company K.S.C. (Closed) (the newly merged entity) *	41.99%	41.98%	Kuwait	Investment brokerage services
Seera Investment Company B.S.C.C. (Previously Seera Investment Bank)	34.33%	34.33%	Bahrain	Investment business firm (previously investment bank)
Team Holding Co KSC (Closed)	47.50%	-	Kuwait	Investments
MENA Capital Holding Company K.S.C. (Closed)	46.59%	46.59%	Kuwait	Investments
Al Oula Real Estate Investment Company K.S.C. (Closed)	39.79%	33.43%	Kuwait	Real Estate Investment
First Energy Resources Company K.S.C (Closed) (Under Liquidation)	23.98%	23.98%	Kuwait	Investment in energy sector
First Education Company K.S.C. (Closed) **	22.42%	22.09%	Kuwait	Educational services
Osos Holding Group Company K.P.S.C **	21.59%	21.59%	Kuwait	Investments
National Electronic Management Services K.S.C. (Closed) (Under Liquidation)	21.80%	21.80%	Kuwait	Information technology

* During the previous year, Al Seef Financial Brokerage Company K.S.C. (Closed) ("Al Seef") (former subsidiary) entered into a merger transaction with Al Waseet Business Company K.S.C. (Closed) ("Al Waseet") (former associate). The merger transaction was approved by the CMA on 19 February 2017. The Group's holding in Al Seef was diluted from 47.86% to 41.98% in addition to the re-composition of the board of directors. As a result, the Group lost its ability to exercise control over Al Seef and started to account for Al Seef as an associate in accordance with IAS 28. The name of new merged entity was subsequently changed from "Al Seef" to "Al Waseet Financial Business Company K.S.C. (Closed)".

** During the previous year, the Group acquired additional equity interests of 1.8% and 5% in Osos Holding Group Company K.P.S.C. ('Osos') and First Education Company K.S.C. (Closed) ('FEC') (previously classified as a financial assets available-for-sale and financial assets at fair value through profit or loss) respectively. Following the acquisition of additional equity interests, the Group determined that it exercises significant influence over Osos and FEC and consequently accounted for these transactions under IAS 28: Investment in Associate and Joint ventures ("IAS 28"). As a result, the Group has recognised a total gain of KD 855 thousand in the consolidated income statement included under 'other income'.

13. INVESTMENT IN ASSOCIATES *(continued)*

The movement in the carrying amount of investment in associates during the year is as follows:

	2018 KD 000's	2017 KD 000's
As at 1 January	**33,141**	22,357
Additions	**1,935**	16,300
Share of results for the year	**950**	1,639
Dividend and capital distributions	**(4,140)**	(3,512)
Share of other comprehensive income	**106**	210
Foreign currency translation adjustment	**28**	(151)
Liquidation proceeds from an associate	**-**	(449)
Derecognition	**-**	(2,255)
Impairment loss on associates (Note 6)	**-**	(998)
As at 31 December	**32,020**	33,141

Management has performed a detailed review of these investments to assess whether impairment has occurred in the value of these investments. In the opinion of management, based on currently available information, there is no evidence of impairment in the value of these investments.

Share of aggregate of associates' gross assets and liabilities:	2018 KD 000's	2017 KD 000's
Current assets	**20,875**	18,094
Non-current assets	**28,924**	27,540
Current liabilities	**9,308**	3,682
Non-current liabilities	**3,163**	3,508

Share of aggregate of associates' revenue and results:	2018 KD 000's	2017 KD 000's
Revenue	**1,682**	3,173
Profit for the year	**950**	1,639
Share of other comprehensive income	**106**	210
Foreign currency translation adjustment	**28**	(151)

The associates had no significant contingent liabilities or capital commitments as at 31 December 2017 or 2018.

14. INVESTMENT PROPERTIES

	2018 KD 000's	2017 KD 000's
As at 1 January	31,266	32,632
Additions	244	349
Disposals	-	(1,944)
Change in fair value	162	229
As at 31 December	31,672	31,266

The Group's investment properties consist of properties in Kuwait and in another GCC country. The fair value of investment properties has been determined based on the lower of two valuations obtained from two independent, registered real estate assessors for properties in Kuwait and for the property in the other GCC country; it is based on the valuation obtained from a registered real estate assessor.

Certain investment properties amounting to KD 9,740 thousand (2017: KD 10,064 thousand) are collateralised against loans (Note 16).

These investment properties represent Buildings. Rental income derived from these investment properties are as follows:

	2018 KD 000's	2017 KD 000's
Rental income	1,673	1,797
Direct operating expenses (including administrative expense)	(513)	(560)
Net rental income arising from investment properties	1,160	1,237

Fair value hierarchy disclosures for investment properties have been provided in Note 26.

15. OTHER ASSETS

	2018 KD 000's	2017 KD 000's
Accrued management fees	710	594
Advances given for purchase of investments	605	2,756
Positive fair value of derivatives (Note 24)	53	7
Investment redemption receivables	-	3,401
Receivable on sale of investment properties	-	2,500
Other assets	992	1,125
	2,360	10,383

16. DUE TO BANKS

	2018 KD 000's	2017 KD 000's
Secured borrowings: (in Kuwaiti Dinars)	6,632	6,703

The facilities as on 31 December 2018 carries interest rate ranging from 4.5% to 5% (2017: 4.5% to 4.75%) and are repayable within one year.

All facilities are secured by investment properties (Note 14).

17. ACCOUNTS PAYABLE AND ACCRUALS

	2018 KD 000's	2017 KD 000's
Accrued expenses	5,230	4,391
Dividend payable	1,707	1,481
Other payables	1,026	1,698
	7,963	7,570

18. SHARE CAPITAL, RESERVES AND DIVIDENDS

a) Share capital

The authorised, issued and fully paid up share capital at 31 December 2018, comprises 876,213 thousand shares (2017: 876,213 thousand shares) of 100 fils each paid up in cash.

b) Share premium

Share premium is not available for distribution.

c) Statutory reserve

In accordance with the Companies Law and the Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat, NLST and Directors' remuneration is to be transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital.

Distribution of the Parent Company's statutory 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 in which the Parent Company's profits are not sufficient for the payment of a dividend of that amount.

On 1 June 2017, the Parent Company's shareholders at the Annual General Meeting ("AGM") approved to write-off the accumulated losses balance as at 31 December 2016 amounting to KD 7,819 thousand against the statutory reserve.

d) Treasury shares

	2018	*2017*
Number of treasury shares	**78,351,245**	68,131,173
Percentage of capital	**8.94%**	7.78%
Cost – KD thousand	**9,015**	7,977
Market value – KD thousand	**6,464**	6,677
Weighted average of market value per share (fils)	**91**	116

Treasury shares reserve equivalent to the cost of treasury shares held are not available for distribution.

18. SHARE CAPITAL, RESERVES AND DIVIDENDS *(continued)*

e) Other comprehensive income

The disaggregation of changes of other comprehensive income by each type of reserve in equity is shown below:

	Cumulative changes in fair values KD'000	***Foreign currency translation reserve KD'000***	***Non-controlling interests KD'000***	***Total KD'000***
2018				
Change in FVOCI	**2,110**	**-**	**-**	**2,110**
Share of other comprehensive income of associates	**106**	**-**	**-**	**106**
Foreign currency translation adjustments	**-**	**24**	**28**	**52**
Foreign currency translation reserve transferred to consolidated income statement on liquidation of a subsidiary	**-**	**590**	**-**	**590**
	2,216	**614**	**28**	**2,858**

	Cumulative changes in fair values KD'000	*Foreign currency translation reserve KD'000*	*Non-controlling interests KD'000*	*Total KD'000*
2017				
Net unrealised income on financial assets available-for-sale	2,548	-	-	2,548
Transfer to consolidated income statement on sale of financial assets available-for-sale	(5,819)	-	-	(5,819)
Transfer to consolidated income statement on impairment of financial assets available-for-sale	2,070	-	-	2,070
Share of other comprehensive income of associates	210	-	-	210
Foreign currency translation adjustments	-	(339)	(95)	(434)
Realised loss on derecognition of an associate in a merger transaction	258	-	-	258
Realised loss on derecognition of an subsidiary in a merger transaction	270	-	-	270
	(463)	(339)	(95)	(897)

18. SHARE CAPITAL, RESERVES AND DIVIDENDS *(continued)*

f) Dividends

On 20 March 2019, the Board of Directors of the Parent Company proposed the distribution of cash dividend from the retained earnings representing 8% of the paid up share capital for the financial year ended 31 December 2018 amounting to KD 6,383 thousand. This proposal is subject to the approval of the Parent Company's shareholders at the AGM.

On 17 April 2018, the AGM of the shareholders of the Parent Company approved the distribution of cash dividend from the retained earnings representing 7% (2016: 5%) of the paid up share capital for the financial year ended 31 December 2017 amounting to KD 5,586 thousand (2016 : KD 4,205 thousand).

19. TRANSACTIONS WITH RELATED PARTIES

Related parties represent associated companies, managed funds, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

2018	*Associates KD'000*	*Other related parties KD'000*	***Total KD'000***
Transactions included in consolidated income statement			
Management and advisory fees	**-**	**1,900**	**1,900**
Rental income	**53**	**-**	**53**
Consolidated statement of financial position			
Other assets		**489**	**489**

2017	*Associates KD'000*	*Other related parties KD'000*	*Total KD'000*
Transactions included in consolidated income statement			
Management and advisory fees	8	2,155	2,163
Rental income	55	-	55
Consolidated statement of financial position			
Other assets	-	2,290	2,290

19. TRANSACTIONS WITH RELATED PARTIES *(continued)*

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year were as follows:

	2018 KD 000's	*2017* KD 000's
Salaries and short-term benefits	1,007	901
Employees' end of service benefits	335	149
	1,342	1,050

Directors' remuneration for the year ended 31 December 2018 amounted to KD 54 thousand (2017: KD 185 thousand) and is subject to approval of shareholders in the Annual General Meeting (AGM).

20. MATERIAL PARTLY-OWNED SUBSIDIARIES

The Group has concluded that Al Mada is the only subsidiary with non-controlling interest that are material to the Group. Financial information of the subsidiary having material non-controlling interest is provided below:

Accumulated balances of material non-controlling interest:

	2018 KD 000's	*2017* KD 000's
Al Mada	5,153	5,405

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

20. MATERIAL PARTLY-OWNED SUBSIDIARIES *(continued)*

Summarised income statement for the year ended 31 December:

	2018 Al Mada KD 000's	*2017 Al Mada KD 000's*
Revenue	**642**	419
Expenses	**182**	184
Profit for the year	**460**	235
Total comprehensive income	**460**	235
Attributable to non-controlling interest:		
Profit for the year	**232**	114
Other comprehensive income (loss)	**28**	(95)
	260	19

Summarised statement of financial position as at 31 December:

	2018 Al Mada KD 000's	*2017 Al Mada KD 000's*
Total assets	**10,217**	10,585
Total liabilities	**68**	89
Total equity	**10,149**	10,496
Attributable to:		
Equity holders of the Parent Company	**4,996**	5,091
Non-controlling interest	**5,153**	5,405
	10,149	10,496

20. MATERIAL PARTLY-OWNED SUBSIDIARIES *(continued)*

Summarised cash flow information for year ended 31 December:

	2018 Al Mada KD 000's	*2017 Al Mada KD 000's*
Operating	**(41)**	1,817
Investing	**446**	-
Financing	**(881)**	(1,674)
Net (decrease) increase in cash and cash equivalents	**(476)**	143

21. SEGMENT INFORMATION

For management purposes the Group is organised into four major business segments. The principal activities and services under these segments are as follows:

- Investment segment represents trading in equities including investment in associates and other strategic investments;
- Treasury segment represents liquidity management and trading in foreign currencies;
- Real estate segment represents buying, selling and investing in real estate;
- Asset management and advisory segment represents managing discretionary and non-discretionary investment portfolios, managing of investment funds, and providing advisory and other related financial services.

Management monitors the operating segment separately for the purpose of making decision about the resource allocation and performance assessment. The segment performance is evaluated based on segment result before taxes in management and reporting system.

The following table presents revenue, results for the year and total assets and total liabilities information regarding the Group's reportable segments.

21. SEGMENT INFORMATION *(continued)*

2018

	Investment KD 000's	**Treasury KD 000's**	**Real estate KD 000's**	**Asset management and advisory KD 000's**	**Unallocated KD 000's**	**Total KD 000's**
Segment revenues	**10,335**	**327**	**1,862**	**2,812**	**-**	**15,336**
Segment results	**7,082**	**(393)**	**(215)**	**1,535**	**-**	**8,009**
Segment impairment losses and provisions	**-**	**34**	**6**	**-**	**-**	**40**
Segment assets	**154,280**	**8,962**	**32,847**	**709**	**481**	**197,279**
Segment liabilities	**58**	**52**	**6,878**	**115**	**7,492**	**14,595**
Commitments and contingencies	**4,055**	**-**	**354**	**-**	**8**	**4,417**

2017

	Investment KD 000's	*Treasury KD 000's*	*Real estate KD 000's*	*Asset management and advisory KD 000's*	*Unallocated KD 000's*	*Total KD 000's*
Segment revenues	14,991	192	2,655	3,001	-	20,839
Segment results	7,886	(384)	476	3,033	-	11,011
Segment impairment losses and provisions	3,659	-	185	(1,142)	-	2,702
Segment assets	153,763	3,684	34,914	594	640	193,595
Segment liabilities	1,260	9	6,888	119	5,997	14,273
Commitments and contingencies	3,388	-	344	73	14	3,819

The Group does not have any inter-segment transaction.

21. SEGMENT INFORMATION *(continued)*

Geographic information

	2018 KD 000's	2017 KD 000's
Total income from external sources		
Kuwait and GCC	14,889	19,724
International	447	1,115
	15,336	20,839

The income information above is based on the location of the customer.

22. COMMITMENTS AND CONTINGENT LIABILITIES

a) Bank guarantees

As at the reporting date, the Group has contingent liabilities in respect of bank guarantees amounting to KD 352 thousand (2017: KD 352 thousand) arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

b) Operating lease rental commitments – Group as a lessor

The Group has entered into operating leases on its investment properties. These leases have terms of between 1 and 5 years.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	2018 KD 000's	2017 KD 000's
Future minimum lease receipts:		
Within one year	1,460	1,486
Within one to two years	1,227	1,367
Within two to five years	2,025	2,078

22. COMMITMENTS AND CONTINGENT LIABILITIES *(continued)*

c) Capital expenditure commitments

At 31 December 2018, the Company had a maximum commitment on capital expenditures related mainly to purchase of investments amounting to KD 4,065 thousand (2017: KD 3,467 thousand) extending beyond one accounting period.

23. FIDUCIARY ACCOUNTS

The Parent Company manages portfolios on behalf of others and maintains cash balances and securities in fiduciary accounts without recourse to the Group and funds which are not included in the consolidated statement of financial position. As at the reporting date, total fiduciary assets managed by the Parent Company amounted to KD 1,046,731 thousand (2017: KD 1,022,042 thousand). The total income earned from funds and other fiduciary activities amounted to KD 2,494 thousand (2017: KD 2,962 thousand).

24. DERIVATIVES

In the ordinary course of business, the Group enters into various types of transactions that involve financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments traded by the Group are forward foreign exchange contracts.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to either buy or sell a specified currency, at a specific price and date in the future, and are customised contracts transacted in the over-the-counter market.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts for the year ended 31 December 2018 and 2017. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of the credit risk.

24. DERIVATIVES *(continued)*

2018

	Positive fair value KD 000's	***Negative fair value KD 000's***	***Notional amount total KD 000's***
Forward foreign exchange contracts	**53**	**52**	**30,168**

2017

	Positive fair value KD 000's	*Negative fair value KD 000's*	*Notional amount total KD 000's*
Forward foreign exchange contracts	7	9	3,033

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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's principal financial liabilities, other than derivatives, comprise due to banks and accounts payable and accruals. The main purpose of these financial liabilities is to fund the Group's operations. The Group has various financial assets such as cash and balances with banks and financial institutions, quoted and unquoted financial instruments and other assets which arise directly from its operations.

The Group classifies the risks faced as part of its monitoring and controlling activities into certain categories of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified categories of risks. The categories of risks are:

A. Risks arising from financial instruments:

   i. Credit risk which includes default risk of clients and counterparties

   ii. Liquidity risk

   iii. Market risk which includes interest rate, foreign exchange and equity price risks

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

B. Other risks

i. Prepayment risk

ii. Operational risk which includes risks due to operational failures

The Parent Company's Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

25.1 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 lending activities. The credit risk on Balances with banks and other financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

The table below shows the maximum exposure to credit risk across financial assets:

	2018 ***KD 000's***	***2017*** ***KD 000's***
Balances with banks and other financial institutions	11,308	7,112
Other assets	1,253	9,784
Total	**12,561**	**16,896**

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of other assets. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. As at the reporting date, the majority of the Group's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

The exposures set above, are based on net carrying amounts as reported in the consolidated statement of financial position. The Group's maximum exposure is equal to the carrying amount of these balances. The maximum credit exposure to a single counter party is KD 3,700 thousand (2017: KD 1,659 thousand).

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.1 Credit risk *(continued)*

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.

Analysis of past due but not impaired

The Group did not have any "past due but not impaired" financial assets at 31 December 2018 and 31 December 2017.

Risk concentration of the maximum exposure to credit risk

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

The table below illustrates the maximum exposure to credit risk for the components of the consolidated statement of financial position analysed by geographical sector:

2018	*Kuwait*	*GCC & Arab*	*International*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Assets				
Balances with banks and financial institutions	9,079	1,792	437	11,308
Other assets	1,135	104	14	1,253
Total credit risk exposure	10,214	1,896	451	12,561

2017	*Kuwait*	*GCC & Arab*	*International*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Assets				
Balances with banks and financial institutions	5,134	1,793	185	7,112
Other assets	7,963	1,821	-	9,784
Total credit risk exposure	13,097	3,614	185	16,896

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.1 Credit risk *(continued)*

The table below illustrates the maximum exposure to credit risk for the components of the consolidated statement of financial position analysed by industry sector:

2018	***Banks and other financial institutions***	***Construction and real estate***	***Other***	***Total***
	KD 000's	***KD 000's***	***KD 000's***	***KD 000's***
Assets				
Balances with banks and financial institutions	**11,308**	**-**	**-**	**11,308**
Other assets	**997**	**236**	**20**	**1,253**
Total credit risk exposure	**12,305**	**236**	**20**	**12,561**

2017	*Banks and other financial institutions*	*Construction and real estate*	*Other*	*Total*
	KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
Assets				
Balances with banks and financial institutions	7,112	-	-	7,112
Other assets	7,012	2,721	51	9,784
Total credit risk exposure	14,124	2,721	51	16,896

25.2 Liquidity risk

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.2 Liquidity risk *(continued)*

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

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

2018	*Within 3 months KD 000's*	*3 to 12 months KD 000's*	*Over one year KD 000's*	*Total KD 000's*
Due to banks	5,522	1,215	-	6,737
Accounts payable and accruals	4,808	-	3,088	7,896
Total liabilities	10,330	1,215	3,088	14,633
Capital commitment and contingent liabilities	302	1,357	2,758	4,417

2017	*Within 3 months KD 000's*	*3 to 12 months KD 000's*	*Over one year KD 000's*	*Total KD 000's*
Due to banks	59	6,720	-	6,779
Accounts payable and accruals	4,834	-	2,696	7,530
Total liabilities	4,893	6,720	2,696	14,309
Capital commitment and contingent liabilities	40	1,878	1,901	3,819

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 and financial assets at fair value through other comprehensive income (financial assets available for sale under IAS 39) is determined based on management's estimate of liquidation of those financial assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.2 Liquidity risk *(continued)*

2018

	Within 3 months KD 000's	*3 to 12 months KD 000's*	*Over one year KD 000's*	*Total KD 000's*
Assets				
Cash and balances with banks and financial institutions	11,324	-	-	11,324
Financial assets at fair value through profit or loss	68,890	-	-	68,890
Trading properties	479	-	-	479
Financial assets at fair value through other comprehensive income	-	-	50,534	50,534
Investments in associates	-	-	32,020	32,020
Investment properties	-	-	31,672	31,672
Other assets	2,057	-	303	2,360
Total assets	82,750	-	114,529	197,279

2018

	Within 3 months KD 000's	*3 to 12 months KD 000's*	*Over one year KD 000's*	*Total KD 000's*
Liabilities				
Due to banks	5,432	1,200	-	6,632
Accounts payable and accruals	4,875	-	3,088	7,963
Total liabilities	10,307	1,200	3,088	14,595

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.2 Liquidity risk *(continued)*

2017

	Within 3 months KD 000's	*3 to 12 months KD 000's*	*Over one year KD 000's*	*Total KD 000's*
Assets				
Cash and balances with banks and financial institutions	7,120	-	-	7,120
Financial assets at fair value through profit or loss	20,049	-	-	20,049
Trading properties	477	-	-	477
Financial asset available-for-sale	-	-	91,159	91,159
Investments in associates	-	-	33,141	33,141
Investment properties	-	-	31,266	31,266
Other assets	10,131	-	252	10,383
Total assets	37,777	-	155,818	193,595

2017

	Within 3 months KD 000's	*3 to 12 months KD 000's*	*Over one year KD 000's*	*Total KD 000's*
Liabilities				
Due to banks	5,503	1,200	-	6,703
Accounts payable and accruals	4,874	-	2,696	7,570
Total liabilities	10,377	1,200	2,696	14,273

25.3 Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest 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, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.3 Market risk *(continued)*

25.3.1 Foreign currency risk

The Group mainly operates in the Gulf Cooperation Council (GCC) and the United States of America (USA) and as a result is exposed to changes in exchange rates of the US Dollar, Euro, UAE Dirhams, Saudi Riyals and Qatari Riyals. The Group's consolidated statement of financial position can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Foreign currency risk is managed on the basis of limits determined by the Parent Company's Board of Directors and a continuous assessment of the Groups' open positions.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its assets and liabilities. The analysis calculates the effect of a 5% change in currency rate against the Kuwaiti Dinar, with all other variables held constant on the result and other comprehensive income.

Currency	***Increase / (decrease) in rate to the KD***	***Effect on result 2018 KD 000's***	***Effect on other comprehensive income 2018 KD 000's***	*Effect on result 2017 KD 000's*	*Effect on other comprehensive income 2017 KD 000's*
Euro	**+5%**	**2**	**87**	18	72
	- 5%	**(2)**	**(87)**	(18)	(72)
US Dollar	**+5%**	**104**	**599**	200	611
	- 5%	**(104)**	**(599)**	(463)	(348)
Qatari Riyal	**+5%**	**7**	**90**	4	98
	- 5%	**(7)**	**(90)**	(4)	(98)
Saudi Riyal	**+5%**	**312**	**825**	41	897
	- 5%	**(312)**	**(825)**	(98)	(840)
UAE Dirham	**+5%**	**241**	**282**	11	405
	- 5%	**(241)**	**(282)**	(76)	(339)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.3 Market risk *(continued)*

25.3.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's due to banks with floating interest rates.

The Group's policy is to manage its interest cost by availing competitive credit facilities from the local and regional financial institutions and constantly monitoring interest rate fluctuations.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the Group's result before taxation for one year, based on the interest rate sensitive financial assets and liabilities held at 31 December. There is no direct impact on other comprehensive income.

	Increase/decrease in basis points	*Effect on result for the year KD 000's*
2018		
KD	**+25**	**5**
KD	**-25**	**(5)**
2017		
KD	+25	(3)
KD	-25	3

25.3.3 Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The Group manages this through diversification of investments in terms of industry concentration. The majority of the Group's quoted investments are listed on the Kuwait Stock Exchange.

The effect on other comprehensive income (as a result of a change in the fair value of financial assets through other comprehensive income at 31 December) and Group's results (as a result of a change in the fair value of financial assets at fair value through profit or loss at 31 December) due to a 5% change in market indices, with all other variables held constant is as follows:

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

25.3 Market risk *(continued)*

25.3.3 Equity price risk *(continued)*

	2018		2017	
Market indices	Effect on other comprehensive income KD 000's	Effect on result KD 000's	Effect on other comprehensive income KD 000's	Effect on result KD 000's
Kuwait	233	155	1,313	722
Others	538	781	818	375

25.4 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 exposed to significant prepayment risk.

25.5 Operation risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

26. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December:

			Fair value measurement using		
	Date of valuation	*Total*	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
		KD 000's	*KD 000's*	*KD 000's*	*KD 000's*
2018					
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
Local quoted securities	31 December 2018	12,506	12,506	-	-
Foreign quoted securities	31 December 2018	16,810	16,810	-	-
Unquoted equity investments	31 December 2018	3,271	-	-	3,271
Unquoted mutual fund Investments (investing in quoted securities)	31 December 2018	36,303	-	36,303	-
Financial assets at fair value through other comprehensive income:					
Quoted equity investments	31 December 2018	30,790	30,790	-	-
Unquoted equity investments	31 December 2018	19,744	-	-	19,744
Investment properties	31 December 2018	31,672	-	-	31,672
Forward foreign exchange contracts	31 December 2018	53	-	53	-
Assets measured at cost while fair value is disclosed					
Trading properties	31 December 2018	664	-	664	-
		151,813	60,106	37,020	54,687
Liabilities measured at fair value					
Forward foreign exchange contracts	31 December 2018	52	-	52	-

26. FAIR VALUE MEASUREMENT *(continued)*

			Fair value measurement using		
	Date of valuation	***Total***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
		KD 000's	***KD 000's***	***KD 000's***	***KD 000's***
2017					
Assets measured at fair value					
Financial assets at fair value through profit or loss:					
Local quoted securities	31 December 2017	11,957	11,957	-	-
Foreign quoted securities	31 December 2017	8,092	8,092	-	-
Financial assets available-for-sale:					
Quoted equity investments	31 December 2017	41,252	41,252	-	-
Unquoted mutual fund Investments (investing in quoted securities)	31 December 2017	26,578	-	26,578	-
Unquoted equity investments	31 December 2017	23,329	-	-	23,329
Investment properties	31 December 2017	31,266	-	-	31,266
Forward foreign exchange contracts	31 December 2017	7	-	7	-
Assets measured at cost while fair value is disclosed					
Trading properties	31 December 2017	634	-	634	-
		143,115	61,301	27,219	54,595
Liabilities measured at fair value					
Forward foreign exchange contracts	31 December 2017	9	-	9	-

The fair value of the above investment securities is categorised as per the policy on fair value measurement in Note 2.

26. FAIR VALUE MEASUREMENT *(continued)*

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

	As at 1 January KD 000's	Gain recorded in the consolidated income statement KD 000's	(Loss) Gain recorded in other comprehensive income KD 000's	Net purchases, transfer, sales and settlements KD 000's	As at 31 December KD 000's
2018					
Financial assets at fair value through profit or loss:					
Unquoted equity investments	**4,648**	**971**	**-**	**(2,348)**	**3,271**
Financial assets at fair value through other comprehensive income:					
Unquoted equity investments	**18,681**	**-**	**(153)**	**1,216**	**19,744**
Investment properties	**31,266**	**162**	**-**	**244**	**31,672**
	54,595	**1,133**	**(153)**	**(888)**	**54,687**
2017					
Financial assets available- for-sale:					
Unquoted equity investments	-	-	-	23,329	23,329
Investment properties	32,632	229	-	(1,595)	31,266
	32,632	229	-	21,734	54,595

Description of significant unobservable inputs to valuation of financial assets:

Fair values of unquoted equity investments are derived through a market approach which utilises price multiples of relevant sectors and comparable quoted companies. The Group also uses net book value method using latest available financial statements of the investee entity, wherein the underlying assets are fair valued. A lack of marketability discount is applied on the fair values derived through this approach and is based on the management's judgment.

26. FAIR VALUE MEASUREMENT *(continued)*

Description of significant unobservable inputs to valuation of financial assets: ***(continued)***

The impact on the consolidated statement of financial position or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the unquoted equity investments were altered by 5%.

Description of significant unobservable inputs to valuation of non-financial assets:

For the purpose of measuring fair value of investment properties, the income approach is used where the present value technique is employed to reflect the current market expectations about the future estimated rental value (significant unobservable valuation input), based on per square meter per month rental rate in the country in which the properties are located.

The impact on the consolidated statement of financial position or the consolidated statement of changes in equity would be immaterial if the relevant risk variables used to fair value the investment properties were altered by 5%.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Other financial assets and liabilities are carried at amortised cost and the carrying values are not materially different from their fair values as most of these assets and liabilities are of short term maturities or are re-priced immediately based on market movement in interest rates. Fair values of remaining financial assets and liabilities carried at amortised cost are estimated using valuation techniques incorporating certain assumptions such as credit spreads that are appropriate in the circumstances.

27. 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 in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018 and 2017.

27. CAPITAL MANAGEMENT *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, due to banks, accounts payable and accruals less cash and cash equivalents. Capital includes equity attributable to the equity holders of the Parent Company less cumulative changes in fair value.

	2018 *KD 000's*	*2017* *KD 000's*
Due to banks	6,632	6,703
Accounts payable and accruals	7,963	7,570
Less: Cash and balances with banks and financial institutions	(11,324)	(7,120)
Net debt	3,271	7,153
Equity attributable to the equity holders of the Parent Company	177,526	173,912
Less: Cumulative changes in fair values	(3,407)	(3,167)
Total capital	174,119	170,745
Capital and net debt	177,390	177,898
Gearing ratio	2%	4%

28. SUBSEQUENT EVENT

Subsequent to the reporting date, the Parent Company along with other entities including an international market operator acquired 44% of the ownership of Boursa Kuwait through public bidding. This acquisition was part of the privatization process of public sector in Kuwait.