

Consolidated financial statements and independent auditor's report

**International Financial Advisors Holding – KPSC**

**[Formerly: International Financial Advisors – KPSC]**

**and Subsidiaries**

**Kuwait**

31 December 2019

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# Independent auditor's report

To the shareholders of  
International Financial Advisors Holding – KPSC  
[Formerly: International Financial Advisors – KPSC]  
Kuwait

## Report on the Audit of the Consolidated Financial Statements

### Qualified Opinion

We have audited the consolidated financial statements of International Financial Advisors Holding – KPSC [Formerly: International Financial Advisors – KPSC] (the “Parent Company”) and its subsidiaries, (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Qualified Opinion

We did not receive bank confirmations from certain local banks having aggregate bank balances amounting to KD5,414, due to banks amounting to KD1,218,742 and borrowings amounting to KD32,555,000 as at 31 December 2019. We were unable to obtain sufficient appropriate audit evidence for these balances from alternative audit procedures. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 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 qualified opinion.

### Material Uncertainty Related to Going Concern

We draw attention to the following matters:

- a) Note 4.1.2 to the consolidated financial statements which indicates that the Group incurred a loss of KD18,394,993 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by KD52,867,237.
- b) Notes 4.1.2 and 19 to the consolidated financial statements which indicates that the Parent Company did not pay to settle instalments amounting to KD11,870,076 of loans to local and foreign banks on their due dates. As a result, the entire borrowings amounting to KD64,062,632 of the Group have become currently payable. The Parent Company is negotiating settlement of its entire borrowings.

These events or conditions may indicate that a material uncertainty exists that may affect the Group's ability to continue as a going concern. Our opinion is not modified in respect of these matters.



## **Independent Auditor's Report to the Shareholders of International Financial Advisors Holding - KPSC [Formerly: International Financial Advisors – KPSC]**

### **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. We have determined the matters described below as the key audit matters.

#### ***Equity Method of Accounting***

The Group has interests in number of associates which are significant to the Group's consolidated financial statements which are accounted for under the equity method of accounting. Under the equity method, the Group's interests in the associates are initially stated at cost, and are adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the associates, less any impairment. The complexity of the Group's control environment and our ability as Group's auditor to obtain an appropriate level of understanding of these entities including any related party transactions. Due to these factors and the significance of the investment in associates to the Group's consolidated financial statements we consider this as a key audit matter.

Our audit procedures included, among others, determining the nature and extent of audit procedures to be carried out for associates and selecting significant associates based on the size and/or risk profile of these entities. During our audit we communicated with the component auditors. We also provided instructions to the component auditors covering the significant areas and risks to be addressed including the identification of related parties and transactions. Furthermore, we evaluated the Group's methodology and testing of the key assumptions used by the Group in determining the associates' recoverable amount based on value-in-use. We also assessed the adequacy of the Group's disclosures in Note 17 to the consolidated financial statements.

#### ***Valuation of investments at fair value through other comprehensive income***

The Group's investments at fair value through other comprehensive income (FVTOCI) include significant unquoted investments. Due to their unique structure and terms, the valuation of these instruments is determined through the application of valuation techniques that involve the exercise of management's judgements and the use of assumptions and estimates. Therefore, there are significant measurement uncertainties involved in valuations. As a result, the valuations of these instruments was significant to our audit. We have, therefore, spent significant audit efforts in assessing the appropriateness of the valuations and underlying assumptions. The Group's disclosures about its investments at FVTOCI are included in Notes 15 and 28.2 to the consolidated financial statements.

Our audit procedures included agreeing carrying values of the unquoted investments to the Group's valuations prepared using valuation techniques, assessing and challenging the appropriateness of estimates, assumptions and valuation methodology and obtained supporting documentation and explanations to corroborate the valuations.

### **Other information included in the Group's 2019 annual report**

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



## **Independent Auditor's Report to the Shareholders of International Financial Advisors Holding - KPSC [Formerly: International Financial Advisors – KPSC]**

### **Other information included in the Group's 2019 annual report (continued)**

As described in the Basis for Qualified Opinion section of our report, as of 31 December 2019, the Group's cash and cash equivalents include balances amounting to KD5,414, its due to banks include balances amounting to KD1,218,742 and its borrowings include balances amounting to KD32,555,000 where we were unable to obtain sufficient appropriate audit evidence. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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.

**Independent Auditor's Report to the Shareholders of  
International Financial Advisors Holding - KPSC  
[Formerly: International Financial Advisors – KPSC]**

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current 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 and its Executive Regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, the Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business or the consolidated financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware, of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of the banking business, and its related regulations during the year ended 31 December 2019 that might have had a material effect on the business or financial position of the Parent Company.



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

Kuwait  
22 April 2020

## Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
<b>Continuing operations</b>			
<b>Income</b>			
Revenue from contracts with customers		12,931	31,742
Loss on disposal of subsidiaries	7	-	(7,408,969)
Change in fair value of investment properties	16	(135,739)	(33,290)
Share of results of associates	17	(8,560,678)	(1,044,702)
Reversal of provisions no longer required	8	1,621,652	1,608,939
Foreign exchange gain		196,870	429,268
Other gains on financial assets	9	286,897	640,493
Other income	10	820,087	637,450
		<b>(5,757,980)</b>	<b>(5,139,069)</b>
<b>Expenses and other charges</b>			
Staff costs		(305,109)	(361,321)
Other operating expenses and charges		(596,703)	(820,766)
Impairment of investment in associates	17	(9,475,000)	(607,189)
Write-off amount due from related party		(89,289)	-
Depreciation		(3,792)	(966)
Finance costs		(2,167,120)	(3,018,627)
		<b>(12,637,013)</b>	<b>(4,808,869)</b>
<b>Loss for the year from continuing operations</b>		<b>(18,394,993)</b>	<b>(9,947,938)</b>
<b>Discontinued operations:</b>			
Loss from discontinued operations	7.1	-	(5,513,300)
<b>Loss for the year</b>		<b>(18,394,993)</b>	<b>(15,461,238)</b>
<b>Attributable to:</b>			
- Owners of the Parent Company		(18,402,271)	(12,259,217)
- Non-controlling interests		7,278	(3,202,021)
		<b>(18,394,993)</b>	<b>(15,461,238)</b>
<b>Basic and diluted loss per share attributable to the owners of the Parent Company</b>			
- From continuing operations		(73.82)	(40.12)
- From discontinued operations		-	(9.06)
	11	<b>(73.82)</b>	<b>(49.18)</b>

The notes set out on pages 12 to 63 form an integral part of these consolidated financial statements.

## Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
<b>Loss for the year</b>	<b>(18,394,993)</b>	<b>(15,461,238)</b>
<b>Other comprehensive income/(loss):</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
<i>Investments at fair value through other comprehensive income:</i>		
- Net change in fair value arising during the year	(1,284,183)	(126,879)
	<b>(1,284,183)</b>	<b>(126,879)</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Share of other comprehensive income of associates	(2,277,262)	(3,502,540)
Exchange differences arising on translation of foreign operations	(575,134)	2,497,583
	<b>(2,852,396)</b>	<b>(1,004,957)</b>
<b>Total other comprehensive loss</b>	<b>(4,136,579)</b>	<b>(1,131,836)</b>
<b>Total comprehensive loss for the year</b>	<b>(22,531,572)</b>	<b>(16,593,074)</b>
<b>Total comprehensive loss for the year attributable to:</b>		
Owners of the Parent Company	(22,491,884)	(12,852,367)
Non-controlling interests	(39,688)	(3,740,707)
	<b>(22,531,572)</b>	<b>(16,593,074)</b>

*The notes set out on pages 12 to 63 form an integral part of these consolidated financial statements.*



## Consolidated statement of financial position

	Note	31 Dec. 2019	31 Dec. 2018
		KD	KD
<b>Assets</b>			
Cash and cash equivalents	12	383,362	426,616
Investments at fair value through profit or loss	13	2,937,748	3,370,063
Receivables and other assets	14	3,021,280	2,825,066
Due from related parties	27	19,963,235	19,231,678
Investments at fair value through other comprehensive income	15	4,535,525	6,015,709
Investment properties	16	1,832,668	1,861,449
Investment in associates and joint ventures	17	62,493,176	81,950,281
Property and equipment		14,205	17,997
<b>Total assets</b>		<b>95,181,199</b>	<b>115,698,859</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Payables and other liabilities	18	17,171,972	14,810,490
Due to related parties	27	3,277,884	3,420,914
Due to banks	12	1,218,742	727,722
Borrowings	19	64,062,632	64,262,384
<b>Total liabilities</b>		<b>85,731,230</b>	<b>83,221,510</b>
<b>Equity</b>			
Share capital	20	26,673,255	72,000,000
Share premium	20	-	11,973,061
Treasury shares	21	(32,757,404)	(32,757,404)
Statutory and voluntary reserves	22	32,757,404	32,757,404
Fair value reserve		1,345,415	2,612,831
Foreign currency translation reserve		(4,572,252)	(3,352,565)
Accumulated losses		(15,185,541)	(51,985,172)
<b>Total equity attributable to the owners of the Parent Company</b>		<b>8,260,877</b>	<b>31,248,155</b>
Non-controlling interests	6	1,189,092	1,229,194
<b>Total equity</b>		<b>9,449,969</b>	<b>32,477,349</b>
<b>Total liabilities and equity</b>		<b>95,181,199</b>	<b>115,698,859</b>

  
 Hussain Ali Mohammed Al-Attal  
 Chairman

  
 Saleh Saleh Al-Selmi  
 Board Member and CEO

*The notes set out on pages 12 to 63 form an integral part of these consolidated financial statements.*

## Consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company						Sub – total KD	Non- controlling interests KD	Total KD	
	Share capital KD	Share premium KD	Treasury shares KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve KD				Accumulated losses KD
<b>Balance at 1 January 2019 (audited)</b>	72,000,000	11,973,061	(32,757,404)	32,757,404	2,612,831	(3,352,565)	(51,985,172)	31,248,155	1,229,194	32,477,349
Share of adjustments arising on adoption of IFRS 16 by an associate	-	-	-	-	-	-	267,995	267,995	1,547	269,542
Share of adjustments arising on adoption of IFRS 9 by associates	-	-	-	-	-	-	(663,795)	(663,795)	(1,961)	(665,756)
<b>Balance at 1 January 2019 (Restated)</b>	72,000,000	11,973,061	(32,757,404)	32,757,404	2,612,831	(3,352,565)	(52,380,972)	30,852,355	1,228,780	32,081,135
Write-off of accumulated losses (Note 20)	(45,326,745)	(11,973,061)	-	-	-	-	57,299,806	-	-	-
<b>Transactions with owners</b>	(45,326,745)	(11,973,061)	-	-	-	-	57,299,806	-	-	-
(Loss)/profit for the year	-	-	-	-	-	-	(18,402,271)	(18,402,271)	7,278	(18,394,993)
Other comprehensive loss	-	-	-	-	(2,869,926)	(1,219,687)	-	(4,089,613)	(46,966)	(4,136,579)
<b>Total comprehensive loss for the year</b>	-	-	-	-	(2,869,926)	(1,219,687)	(18,402,271)	(22,491,884)	(39,688)	(22,531,572)
Loss on disposal of investments at FVTOCI	-	-	-	-	1,602,510	-	(1,602,510)	-	-	-
Share of loss on partial disposal of subsidiary by an associate	-	-	-	-	-	-	(99,594)	(99,594)	-	(99,594)
<b>Balance at 31 December 2019</b>	26,673,255	-	(32,757,404)	32,757,404	1,345,415	(4,572,252)	(15,185,541)	8,260,877	1,189,092	9,449,969

## Consolidated statement of changes in equity (continued)

	Equity attributable to the owners of the Parent Company										Non-controlling interests		Total
	Share capital KD	Share premium KD	Treasury shares KD	Treasury shares reserve KD	Statutory and voluntary reserves KD	Fair value reserve KD	Foreign currency translation reserve		Accumulated losses KD	Sub – total KD	Non-controlling interests KD	Total KD	
							reserve	reserve					
<b>Balance at 1 January 2018</b>	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	7,958,281	(6,294,013)	(41,641,742)	44,100,522	35,262,300	79,362,822		
Adjustments arising on adoption of IFRS 9	-	-	-	-	-	(1,227,025)	-	1,227,025	-	-	-		
Share of adjustments arising on adoption of IFRS 9 by an associate	-	-	-	-	-	(55,674)	-	55,674	-	-	-		
<b>Balance at 1 January 2018 (Restated)</b>	72,000,000	11,973,061	(32,757,404)	104,935	32,757,404	6,675,582	(6,294,013)	(40,359,043)	44,100,522	35,262,300	79,362,822		
Decrease of non-controlling interests on disposal of subsidiary	-	-	-	-	-	-	-	-	-	(30,749,876)	(30,749,876)		
Increase in non-controlling interest due to capital increase of subsidiary	-	-	-	-	-	-	-	-	-	457,477	457,477		
Reclassification on disposal of a subsidiary	-	-	-	(104,935)	-	-	-	104,935	-	-	-		
<b>Transactions with owners</b>	-	-	-	(104,935)	-	-	-	104,935	-	(30,292,399)	(30,292,399)		
Loss for the year	-	-	-	-	-	-	-	(12,259,217)	(12,259,217)	(3,202,021)	(15,461,238)		
Other comprehensive (loss)/ income	-	-	-	-	-	(3,534,598)	2,941,448	-	(593,150)	(538,686)	(1,131,836)		
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	-	-	(3,534,598)	2,941,448	(12,259,217)	(12,852,367)	(3,740,707)	(16,593,074)		
<b>Realised gain on investments at FVTOCI</b>	-	-	-	-	-	(606,137)	-	606,137	-	-	-		
<b>Share of realised loss on investments at FVTOCI of associates</b>	-	-	-	-	-	77,984	-	(77,984)	-	-	-		
<b>Balance at 31 December 2018</b>	72,000,000	11,973,061	(32,757,404)	-	32,757,404	2,612,831	(3,352,565)	(51,985,172)	31,248,155	1,229,194	32,477,349		

The notes set out on pages 12 to 63 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018* KD
<b>OPERATING ACTIVITIES</b>		
Loss for the year from continuing operations	(18,394,993)	(9,947,938)
Loss from discontinued operations	-	(5,513,300)
Adjustments:		
Gain on sale of investment properties	-	(1,813)
Loss on disposal of subsidiaries	-	6,444,223
Change in fair value of investment properties	135,739	33,290
Impairment of investment in associates	9,475,000	607,189
Write-off amount due from related party	89,289	-
Dividend income	(157,657)	(178,498)
Interest income	(117,606)	(118,299)
Finance costs	1,918,074	10,036,311
Reversal of provisions no longer required	(1,621,652)	-
Depreciation	3,792	2,924,524
Share of results of associates and joint ventures	8,560,678	1,064,295
Other income	(307,321)	-
Foreign exchange gain	(199,752)	(368,904)
	(616,409)	4,981,080
<b>Changes in operating assets and liabilities:</b>		
Investments at fair value through profit or loss	432,315	(602,034)
Receivables and other assets	(196,214)	(23,856,085)
Due from related parties	(529,352)	(2,708,924)
Trading properties	-	3,914,033
Payables and other liabilities	2,695,614	161,524
Due to related parties	(403,853)	9,634,761
Advances received from customers	-	4,419,959
Cash from/(used in) operating activities	1,382,101	(4,055,686)
Dividend income received	157,657	2,187
Interest income received	-	105,355
Finance costs paid	(172,993)	(6,154,465)
<b>Net cash from/(used in) operating activities</b>	<b>1,366,765</b>	<b>(10,102,609)</b>

*The notes set out on pages 12 to 63 form an integral part of these consolidated financial statements.*

## Consolidated statement of cash flows (continued)

	Note	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018* KD
<b>INVESTING ACTIVITIES</b>			
Dividend received from associates		515,229	347,811
Proceeds from sale of investments at FVTOCI		28,958	1,003,305
Additions to investment in associates and joint ventures		(2,451,200)	-
Net proceeds from sale of subsidiaries		-	(9,109,649)
Net movement in investment in associates		-	12,944
Net movement in properties under development		-	5,700,538
Additions to capital work in progress		-	(16,466)
Net movement in property and equipment		-	(1,379,253)
Proceeds from sale of investment properties		-	460,545
<b>Net cash used in investing activities</b>		<b>(1,907,013)</b>	<b>(2,980,225)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from bank loans		-	3,516,634
Repayment of bank loans		-	(3,197,797)
Change in non-controlling interests		-	457,477
<b>Net cash from financing activities</b>		<b>-</b>	<b>776,314</b>
Decrease in cash and cash equivalents		(540,248)	(12,306,520)
Foreign currency adjustment		5,974	(89,289)
Cash and cash equivalents at beginning of the year	12	(647,552)	11,748,257
<b>Cash and cash equivalents at end of the year</b>	<b>12</b>	<b>(1,181,826)</b>	<b>(647,552)</b>

\* Details of cash flows from discontinued operations is summarised in note 7.1.

## Notes to the consolidated financial statements

### 1 Incorporation and activities of the Parent Company

International Financial Advisors Holding – KPSC [Formerly: International Financial Advisors - KPSC] (“the Parent Company”) is a Kuwaiti Public Shareholding Company incorporated on 31 January 1974 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The Parent Company is listed on Boursa Kuwait and Dubai Financial Market.

The Securities Activities Licence issued by the Capital Markets Authority (“CMA”) expired on 29 March 2018 under which the Parent Company carried out certain investment activities. Management did not renew the licence. Accordingly, the CMA notified the Parent Company on 6 May 2018 that it is no longer considered a licenced entity under the CMA regulations. Consequently, the Parent Company is currently in the process of disposing of the portfolios under management (Note 23).

Furthermore, during prior years the Parent Company was subject to the supervision of the Central Bank of Kuwait (“CBK”). During 2018, it communicated to the CBK its desire to be removed from CBK register. On 13 November 2018, the CBK notified the Parent Company that its name will be removed from the CBK register only after the holding of shareholders’ general assembly to change its legal status and activities.

The shareholders in their Extra-Ordinary General Assembly held on 6 January 2019 approved to change the legal status of the Parent Company to a Holding Company and amend its activities, which were registered in the commercial register on 20 January 2019. Accordingly, on 3 February 2019, the Parent Company was removed from the CBK register.

The objectives of the Parent Company were amended to become as follows:

- Management of the parent company’s subsidiaries or participation in management of other companies in which it holds ownership stakes and providing the necessary support thereto.
- Investing funds by way of trading in shares, bonds and other financial securities
- Acquisition of properties and movables necessary to carry out the business activities as allowable by the law.
- Financing and extending loans to investee companies and providing guarantees for third parties, provided that the share of the holding company in the investee company is not less than 20%.
- Acquisition of industrial rights and related intellectual properties or any other industrial trademarks or royalties and any other property related thereto, and renting such properties to the subsidiary companies and others whether inside Kuwait or abroad.
- Using cash surplus to invest in financial portfolios/funds managed by specialised parties.

The Parent Company has the right to carry out its activities inside Kuwait or abroad whether directly or through power of attorney.

The Parent Company is authorized to have interest in or participate with any party or institution carrying out similar activities or those parties who will assist the company in achieving its objectives whether in Kuwait or abroad. The Parent Company has the right to establish, participate in or acquire such institutions.

The Group comprises the Parent Company and its subsidiaries as detailed in note 6.

The address of the Parent Company’s registered office is PO Box 4694, Safat 13047, State of Kuwait.

The Parent Company’s board of directors approved these consolidated financial statements for issue on 22 April 2020 and are subject to the approval of the general assembly of the shareholders.

## Notes to the consolidated financial statements (continued)

### 2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board (“IASB”), and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB.

### 3 Changes in accounting policies

#### 3.1 New and amended standards adopted by the Group

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

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

#### ***IFRS 16 Leases***

IFRS 16 replaced IAS 17 and the related Interpretations. IFRS 16 introduced new and amended requirements with respect to accounting for leases. As a result, lessee accounting is now significantly different and removes distinction between finance and operating leases. It now requires recognition of a right-of-use asset and lease liability at commencement date for all leases, except for short term leases and low value leases. However, the accounting by lessor has largely remained unchanged.

#### *Transition on date of initial application:*

On transition, for leases previously accounted for as operating leases management has assessed that these leases that fall under the definition of IFRS 16 have a remaining lease term of less than 12 months and therefore, the Group has elected the optional exemption to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. The adoption of this standard did not have a significant impact on this consolidated financial statements, except for the Group’s share of associates adjustment on adoption of this standard which was recognised in the accumulated losses.

The new accounting policy for leases is detailed in Note 4.15.

#### ***IAS 28 – Amendments***

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

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

## Notes to the consolidated financial statements (continued)

### 3 Changes in accounting policies (continued)

#### 3.1 New and amended standards adopted by the Group (continued)

##### *Annual Improvements to IFRSs 2015-2017 Cycle*

*Amendments to IFRS 3 and IFRS 11* - Clarify that when an entity obtains control of a business that is a joint operation it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

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

#### 3.2 IASB Standards issued but not yet effective

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

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

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

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

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

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

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

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



## Notes to the consolidated financial statements (continued)

### 3 Changes in accounting policies (continued)

#### 3.2 IASB Standards issued but not yet effective (continued)

##### *IFRS 3 – Amendments*

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

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

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

##### *IAS 1 and IAS 8 – Amendments*

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

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

### 4 Summary of significant accounting policies

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

#### 4.1 Basis of preparation and fundamental accounting concept

##### *4.1.1 Basis of preparation*

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

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

The Group has elected to present the "statement of comprehensive income" in two statements: the "statement of profit or loss" and a "statement of profit or loss and other comprehensive income".

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.1 Basis of preparation and fundamental accounting concept (continued)

##### 4.1.1 Basis of preparation (continued)

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

The financial year end of IFA Hotels and Resorts Co.– KPSC and Arzan Financial Group for Financing and Investment – KPSC (associates) is 31 December. However, for the purpose of accounting those associates into the Group's consolidated financial statements, the financial information as at and for the 12-month period ended 30 September 2019 were used for these associates after appropriate adjustments have been made for the effects of significant transactions or events for the period up to 31 December 2019.

##### 4.1.2 Fundamental accounting concept

For the year ended 31 December 2019, the Group incurred a loss of KD18,394,993 and as of that date the Group's accumulated losses amounted to KD15,185,541 and the Group's current liabilities exceeded its current assets by KD52,867,237. Furthermore, as stated in Note 19, repayment instalments aggregating to KD11,870,076 were not paid on due dates by the Parent Company on borrowings from local and foreign banks, and then the Parent Company entered into negotiations to settle the borrowings. As a result, the entire borrowings of the Parent Company amounting to KD64,062,632 become currently payable.

The factors mentioned above cast significant doubt about the Group's ability to continue as a going concern and its ability to realize its assets and discharge its liabilities in the normal course of business.

The ability of the Group to continue as a going concern is dependent on availability of the support from the financial institutions (i.e. rescheduling of the borrowings mentioned in Note 19) and the ability of the Group to improve future profitability and cash flows. The Parent Company is continuing negotiations and discussions with all the lenders and is confident of the positive outcome of these discussions, and therefore, has prepared these consolidated financial statements under the going concern concept of accounting.

Had the going concern basis not been used, adjustments would be made relating to the recoverability of recorded asset amounts or to the amount of liabilities to reflect the fact that the Group may be required to realize its assets and extinguish its liabilities other than in the normal course of business, at amounts different from those stated in the consolidated financial statements.

#### 4.2 Basis of consolidation

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiaries are prepared for reporting dates which are typically not more than three months from that of the Parent Company, using consistent accounting policies. Adjustments are made for the effect of any significant transactions or events that occur between that date and the reporting date of the Parent Company's financial statements.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.2 Basis of consolidation (continued)

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

When a controlling interest in the subsidiaries is disposed of, the difference between the selling price and the net asset value plus cumulative translation difference and goodwill is recognised in the consolidated statement of profit or loss. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

However, changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

#### 4.3 Business combinations

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

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

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.4 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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. Joint venture is an arrangement that the Group controls jointly with one or more other investor, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

The Group's investment in associates and joint ventures are accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture, less any impairment and the consolidated statement of profit or loss reflects the Group's share of the results of operations of associate or joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate and joint venture recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the parent company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of profit or loss.

Distributions received from the associate and joint venture reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's share in the associate and joint venture arising from changes in the equity of the associate and joint venture. Changes in the Group's share in associate's/joint venture's equity are recognised immediately in the consolidated statement of changes in equity.

When the Group's share of losses in an associate equals or exceeds its interest in the associate and joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate and joint venture.

Unrealised gains on transactions with associate are eliminated to the extent of the Group's share in the associate and joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates and joint venture is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The financial statements of the associate and joint venture are prepared either to the parent company's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments are made for the effect of significant transactions or other events that occurred between the reporting date of the associates and the parent company's reporting date.

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.4 Investment in associates (continued)

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

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

#### 4.5 Segment reporting

The Group has four operating segments: the assets management, treasury and investments, real estate and other. In identifying these operating segments, management generally follows the Group's service lines representing its main products and services. Each of these operating segments is managed separately as each requires different approaches and other resources. All inter-segment transactions are carried out at arm's length prices.

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

#### 4.6 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers service to a customer.

The Group follows a 5-step process:

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.6 Revenue recognition (continued)

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts, if any, as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable, if any, in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

##### 4.6.1 Fees from advisory services

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

#### 4.7 Rental income

Rental income arising from investment properties is accounted for on a straight line basis over the lease term.

#### 4.8 Interest income on financial assets

Interest income is recognised using the effective interest method.

#### 4.9 Dividend income

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

#### 4.10 Operating expenses

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

#### 4.11 Borrowing costs

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

#### 4.12 Taxation

##### 4.12.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

##### 4.12.2 National Labour Support Tax (NLST)

NLST is calculated in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.12 Taxation (continued)

##### 4.12.3 Zakat

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

Under the Zakat regulations, no carry forward of losses to the future years or any carry back to prior years is permitted.

#### 4.13 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The Group depreciates its property and equipment using the straight-line method at rates sufficient to write off the assets over their estimated useful economic lives.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is recognised in the consolidated statement of profit or loss and other comprehensive income.

#### 4.14 Investment properties

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

Investment properties are initially measured at cost. Subsequently, investment properties are revalued annually and are included in the consolidated statement of financial position at their fair values. These values are supported by market evidence and are determined by external professional valuers with sufficient experience with respect to both the location and the nature of the investment property. Any gain or loss resulting from change in the fair value or the sale of an investment property is immediately recognised in the consolidated statement of profit or loss within “change in fair value of investment properties”.

Investment properties are de-recognised 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. Any gain or loss resulting from disposal of an investment property is immediately recognised in the consolidated statement of profit or loss within “gain/loss on sale of investment properties”.

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.

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.15 Leased assets

##### Accounting policy applicable from 1 January 2019

###### *The Group as a lessee*

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

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

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

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

###### Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet measured as follows:

###### *Right-of-use asset*

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

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

###### *Lease liability*

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



## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.15 Leased assets (continued)

##### Accounting policy applicable from 1 January 2019 (continued)

###### *Lease liability (continued)*

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

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

##### Accounting policy applicable before 1 January 2019

###### *The Group as a lessee*

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### 4.16 Impairment testing of goodwill and non-financial assets

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

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.17 Financial instruments

##### 4.17.1 Recognition, initial measurement and derecognition

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

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

- rights to receive cash flows from the assets have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group’s continuing involvement in the asset.

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

##### 4.17.2 Classification of financial assets

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

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

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see note 4.17.3 below); and

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.17 Financial instruments (continued)

##### 4.17.2 Classification of financial assets (continued)

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### 4.17.3 Subsequent measurement of financial assets

###### a) Financial assets at amortised cost

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

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

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

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

###### - Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

###### - Due from related parties

Amounts receivable as a result of transactions with related parties and cash advances to related parties are included under due from related parties.

###### - Receivables and other assets

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. Bad debts are written off as incurred.

Receivables which are not categorised under any of the above are classified as "other assets".

###### b) Financial assets at FVTOCI

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

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

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.17 Financial instruments (continued)

##### 4.17.3 Subsequent measurement of financial assets (continued)

##### b) Financial assets at FVTOCI (continued)

A financial asset is held for trading if:

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

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

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

##### c) Financial assets at FVTPL

Financial assets that do not meet the criteria for measurement at amortised cost or FVTOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The category also contains investments in equity shares.

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

The Group's financial assets at FVTPL comprise investment in equity shares.

##### 4.17.4 Impairment of financial assets

All financial assets except for those at FVTPL and equity investments at FVTOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets at amortised cost or at FVTOCI.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.17 Financial instruments

##### 4.17.4 *Impairment of financial assets (continued)*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward - looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Group always recognises lifetime ECL for receivables and other assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognises an impairment gain or loss in the consolidated statement of profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

##### 4.17.5 *Classification and subsequent measurement of financial liabilities*

The Group's financial liabilities include payables and other liabilities, borrowings and due to related parties.

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

- ***Financial liabilities at amortised cost***

These are stated using effective interest rate method. Payables and other liabilities, borrowings and due to related parties are classified as financial liabilities other than at FVTPL.

- *Payables and other liabilities*

Payables and other liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed or not.

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.17 Financial instruments (continued)

##### 4.17.5 Classification and subsequent measurement of financial liabilities (continued)

- *Due to related parties*

Amounts due as a result of transactions with related parties and cash advances from related parties are included under due to related parties.

- *Due to banks*

Due to banks represents the portion unpaid interest payable.

- *Borrowings*

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

#### 4.18 Amortised cost of financial instruments

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

#### 4.19 Trade and settlement date accounting

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

#### 4.20 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.

#### 4.21 Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 28.

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.22 Equity, reserves and dividend payments

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

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

Statutory and voluntary reserves comprise appropriations of current and prior period profits in accordance with the requirements of the companies' law and the Parent Company's articles of association.

Foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into KD.

Fair value reserve – comprises gains and losses relating to investments at FVTOCI.

Accumulated losses include all current and prior period profits and losses. All transactions with owners of the Parent Company are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in payables and other liabilities when the dividends have been approved in a meeting of the general assembly.

#### 4.23 Treasury shares

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

When the treasury shares are reissued, gains are credited to a separate account in equity, (the "gain of the sale of treasury shares reserve"), which is not 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 to the voluntary reserve and statutory reserve. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

#### 4.24 Provisions, contingent assets and contingent liabilities

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

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

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

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

## Notes to the consolidated financial statements (continued)

### 4 Summary of significant accounting policies (continued)

#### 4.25 End of service benefits

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

With respect to its Kuwaiti national employees, in addition to the end of service benefits the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries.

#### 4.26 Fiduciary assets

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

#### 4.27 Related party transactions

Related parties consist of directors, executive officers, their close family members and companies of which they are principal owners. All related party transactions are approved by management.

#### 4.28 Foreign currency translation

##### 4.28.1 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. Translation difference on non-monetary asset classified as, "fair value through profit or loss" is reported as part of the fair value gain or loss in the consolidated statement of profit or loss and "available for sale" are reported as part of the cumulative change in fair value reserve within other comprehensive income.

##### 4.28.2 Foreign operations

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

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



## Notes to the consolidated financial statements (continued)

### 5 Significant management judgements and estimation uncertainty

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

#### 5.1 Significant management judgments

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

##### 5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.17). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

##### 5.1.2 Judgements in determining the timing of satisfaction of performance obligations

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

##### 5.1.3 Fair values of assets and liabilities acquired

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

##### 5.1.4 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.

##### 5.1.5 Classification of real estate

Management decides on acquisition of a real estate whether it should be classified as trading, or investment property. Such judgement at acquisition determines whether these properties are subsequently measured at cost or net realisable value whichever is lower or fair value.

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

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

#### 5.2 Estimation uncertainty

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

## Notes to the consolidated financial statements (continued)

### 5 Significant management judgements and estimation uncertainty (continued)

#### 5.2 Estimation uncertainty (continued)

##### 5.2.1 *Impairment of financial assets*

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

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

##### 5.2.2 *Fair value of financial instruments*

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

##### 5.2.3 *Impairment of associates and joint ventures*

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in associates and joint ventures, at each reporting date based on existence of any objective evidence that the investment in the associate and joint venture 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 joint venture and its carrying value and recognises the amount in the consolidated statement of profit or loss.

##### 5.2.4 *Business combinations*

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

##### 5.2.5 *Significant influence*

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

##### 5.2.6 *Revaluation of investment properties*

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

## Notes to the consolidated financial statements (continued)

### 6 Subsidiary companies

6.1 Details of the Group's consolidated subsidiaries which are directly owned by the Parent Company at the end of the reporting period are as follows:

Name of the subsidiary	Country of incorporation	Ownership percentage		Principal activity
		31 Dec. 2019	31 Dec. 2018	
		%	%	
First Takaful Insurance Company – KPSC	Kuwait	90.98	90.98	Insurance
Gulf Real Estate Co. – WLL	Kuwait	46.318	46.318	Real estate
IFA Aviation Co. – KSCC	Kuwait	74.8	74.8	Aviation
Radeem Real Estate Co. – SAL	Lebanon	99.9	99.9	Real estate
Dana Real Estate Co. – SAL	Lebanon	96.67	96.67	Real estate

The Group has pledged all its equity interests in First Takaful Insurance Company – KPSC and Gulf Real Estate Co. – WLL against Group's borrowings (note 19).

### 6.2 Subsidiaries with material non-controlling interests

The Group includes the following subsidiaries with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit/(loss) allocated to NCI		Accumulated NCI	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	%	%	KD	KD	KD	KD
First Takaful Insurance Company – KPSC	9.016	9.016	75,823	74,039	789,416	763,065
Gulf Real Estate Co. – WLL	53.682	53.682	(68,628)	(924,076)	323,392	389,866
IFA Hotels and Resorts Co. – KPSC (refer note 7.1)	-	42.643	-	(2,352,064)	-	-
Individually immaterial subsidiaries with non-controlling interests	-	-	83	80	76,284	76,263
			<b>7,278</b>	<b>(3,202,021)</b>	<b>1,189,092</b>	<b>1,229,194</b>

No dividends were paid to the NCI during the years 2019 and 2018.

Summarised financial information for the above subsidiary, before intragroup eliminations, is set out below:

## Notes to the consolidated financial statements (continued)

### 6 Subsidiary companies (continued)

#### 6.2 Subsidiaries with material non-controlling interests (continued)

##### 6.2.1 First Takaful Insurance Company – KPSC

	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current assets	14,307,169	14,083,688
Current assets	4,297	4,297
<b>Total assets</b>	<b>14,311,466</b>	<b>14,087,985</b>
Non-current liabilities	5,317,318	5,577,230
Current liabilities	238,399	47,278
<b>Total liabilities</b>	<b>5,555,717</b>	<b>5,624,508</b>
Equity attributable to the shareholders of the Parent Company	7,966,333	7,700,412
Non-controlling interest	789,416	763,065
	<b>Year ended 31 Dec. 2019 KD</b>	<b>Year ended 31 Dec. 2018 KD</b>
Profit for the year attributable to the shareholders of the Parent Company	765,158	747,161
Profit for the year attributable to NCI	75,823	74,039
<b>Profit for the year</b>	<b>840,981</b>	<b>821,200</b>
Other comprehensive loss for the year attributable to the shareholders of the Parent Company	(499,237)	(1,996,019)
Other comprehensive loss for the year attributable to NCI	(49,472)	(197,794)
<b>Total other comprehensive loss for the year</b>	<b>(548,709)</b>	<b>(2,193,813)</b>
Total comprehensive income/(loss) for the year attributable to the shareholders of the Parent Company	265,921	(1,248,858)
Total comprehensive income/(loss) for the year attributable to NCI	26,351	(123,755)
<b>Total comprehensive income/(loss) for the year</b>	<b>292,272</b>	<b>(1,372,613)</b>
	<b>Year ended 31 Dec. 2019 KD</b>	<b>Year ended 31 Dec. 2018 KD</b>
Net cash flow used in operating activities	(538,987)	(347,811)
Net cash from investing activities	538,987	347,811
<b>Net cash flow</b>	<b>-</b>	<b>-</b>

## Notes to the consolidated financial statements (continued)

### 6 Subsidiary companies (continued)

#### 6.2 Subsidiaries with material non-controlling interests (continued)

##### 6.2.2 Gulf Real Estate Company – WLL

	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current assets	427,949	560,607
Current assets	176,329	166,840
<b>Total assets</b>	<b>604,278</b>	<b>727,447</b>
Current liabilities	1,855	1,195
<b>Total liabilities</b>	<b>1,855</b>	<b>1,195</b>
Equity attributable to the shareholders of the Parent Company	279,031	336,386
Non-controlling interest	323,392	389,866
	<b>Year ended 31 Dec. 2019 KD</b>	<b>Year ended 31 Dec. 2018 KD</b>
Total comprehensive (loss)/income for the year attributable to the shareholders of the Parent Company	(57,355)	1,201,993
Total comprehensive loss for the year attributable to NCI	(66,474)	(924,076)
<b>Total comprehensive (loss)/income for the year</b>	<b>(123,829)</b>	<b>277,917</b>
	<b>Year ended 31 Dec. 2019 KD</b>	<b>Year ended 31 Dec. 2018 KD</b>
Net cash flow from/(used in) operating activities	10	(18)
Net cash flow inflow/(outflow)	10	(18)

### 7 Loss on disposal of subsidiaries

#### 7.1 IFA Hotels and Resorts - KPSC

During 2018, the Group owned 57.39% of the shares in (subsidiary). During the prior year, the Parent Company transferred 63,543,420 shares in IFA Hotels and Resorts - KPSC ("IFAHR"), constituting 10.45% of IFAHR's total shares, to a foreign bank for a consideration of KD12,708,684 (equivalent to USD42,026,071) as part settlement of foreign loans. Consequently, the Group reclassified its remaining interest of 46.94% in IFAHR from subsidiary to an associate since management believes the Group lost the power to control the investee. The retained interest was re-measured at fair value, immediately following the partial disposal. As a result, a loss of KD7,089,828 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018.

## Notes to the consolidated financial statements (continued)

### 7 Loss on disposal of subsidiaries (continued)

#### 7.1 IFA Hotels and Resorts - KPSC (continued)

The tables below shows the amounts of income, expenses and cash flows relating to discontinued operations which are shown as a single line item in the consolidated statement of profit or loss.

	Year ended	
	31 Dec. 2019 KD	31 Dec. 2018 KD
Revenue from contracts with customers	-	54,474,507
Cost of revenue	-	(36,982,097)
		17,492,410
Interest income	-	88,772
Management and consultancy fees	-	294,538
Net gains from investment property	-	1,813
Share of results of associates	-	(19,593)
Net gain on disposal of subsidiary	-	964,746
Net other income	-	848,594
	-	19,671,280

	Year ended	
	31 Dec. 2019 KD	31 Dec. 2018 KD
<b>Expenses and other charges</b>		
Staff costs	-	(3,154,080)
Operating expenses and other charges	-	(11,978,418)
Depreciation	-	(2,923,558)
Finance costs	-	(7,017,684)
	-	(25,073,740)
<b>Loss before taxation on overseas subsidiaries</b>	-	(5,402,460)
Taxation on overseas subsidiaries	-	(110,840)
<b>Loss for the year from discontinued operations</b>	-	(5,513,300)

Cash flows generated from discontinued operations for the reporting periods under review are as follows:

	Year ended	
	31 Dec. 2019 KD	31 Dec. 2018 KD
Operating activities	-	(7,942,593)
Investing activities	-	1,438,301
Financing activities	-	776,314
	-	(5,727,978)

## Notes to the consolidated financial statements (continued)

### 7 Loss on disposal of subsidiaries (continued)

#### 7.2 Others

During the previous year, Group sold its equity ownerships in Suhail Telecommunication Services Company-KSCC (“STSC”) and Seven Seas Resorts Company-KSCC (“SSRC”) respectively with a net loss of KD383,215 and a net gain of KD64,074, respectively, to related parties.

### 8 Reversal of provisions no longer required

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Reversal of provision for National Labour Support Tax (note 8.1)	1,621,652	-
Reversal of provision for loans receivable (note 8.2)	-	1,556,000
Others	-	52,939
	<b>1,621,652</b>	<b>1,608,939</b>

8.1 During a prior year, the Parent Company had filed a legal case against the Ministry of Finance disputing the basis of calculation of National Labour Support Tax imposed for the financial years ended 31 December 2003, 31 December 2004 and 31 December 2005 aggregating to KD4,739,218.

Subsequently, and after hearing of the case at the Court of First Instance, Court of Appeal and the Discrimination Court, it has been ruled that the National Labour Support Tax due for the above financial years amounts to only KD3,117,566. The Parent Company reversed the excess provision of KD1,621,652 during the current year.

8.2 During the prior year, the Parent Company reversed a provision for loans receivable, which was approved by the Central Bank of Kuwait on 23 October 2018.

### 9 Other gains on financial assets

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Change in fair value of investments at FVTPL	232,863	640,493
Realised gain on disposal of investments at FVTPL	54,034	-
	<b>286,897</b>	<b>640,493</b>

### 10 Other income

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Dividend income (a)	157,657	178,498
Interest income from financial assets held at amortised cost	117,606	29,527
Others	544,824	429,425
	<b>820,087</b>	<b>637,450</b>

## Notes to the consolidated financial statements (continued)

### 10 Other income (continued)

a) *Dividend income*

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Dividend income from investments at FVTPL	2,483	1,200
Dividend income from investments at FVTOCI:		
- Relating to investments held at the end of the year	155,174	177,298
	<b>157,657</b>	<b>178,498</b>

### 11 Basic and diluted loss per share attributable to the owners of the Parent Company

Basic and diluted loss per share attributable to the owners of the Parent Company is calculated by dividing the loss for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the year, excluding treasury shares.

	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
<b>Loss for the year attributable to the shareholders of the Parent Company</b>		
- From continuing operations (KD)	(18,402,271)	(10,000,369)
- From discontinued operations (KD)	-	(2,258,848)
	<b>(18,402,271)</b>	<b>(12,259,217)</b>
Weighted average number of shares outstanding during the year (shares)	<b>249,279,884</b>	<b>249,279,884</b>

<b>Basic and diluted loss per share attributable to the owners of the Parent Company</b>		
- From continuing operations (Fils)	(73.82)	(40.12)
- From discontinued operations (Fils)	-	(9.06)
	<b>(73.82)</b>	<b>(49.18)</b>

Basic and diluted loss per share from continuing operations and discontinued operations reported for the year ended 31 December 2018 before the retroactive adjustment relating to reduction of share capital against accumulated losses were Fils 14.86 and Fils 3.36, respectively.

### 12 Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows comprise of the following accounts:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Cash and bank balances	383,362	426,616
Less: Restricted balance	(346,446)	(346,446)
Less: Due to banks	(1,218,742)	(727,722)
Cash and cash equivalents as per consolidated statement of cash flows	<b>(1,181,826)</b>	<b>(647,552)</b>

The Parent Company requested but did not receive bank confirmations for bank balances and due to banks amounting to KD5,414 and KD1,218,742 respectively as of 31 December 2019.



## Notes to the consolidated financial statements (continued)

### 13 Investments at fair value through profit or loss

	31 Dec. 2019 KD	31 Dec. 2018 KD
Local quoted securities	31,911	27,633
Local unquoted securities	14,555	14,555
Foreign unquoted securities	2,891,282	3,327,875
	<b>2,937,748</b>	<b>3,370,063</b>

Investments at fair value through profit or loss amounting to KD11,352 are pledged as security against borrowing facilities of the Group (note 19).

### 14 Receivables and other assets

	31 Dec. 2019 KD	31 Dec. 2018 KD
<b>Financial assets:</b>		
Accounts receivable	29,616	25,891
Staff receivables	41,145	20,239
Qard Hassan to policyholders' fund	2,405,102	2,217,773
Others	212,329	213,784
<b>Total financial assets</b>	<b>2,688,192</b>	<b>2,477,687</b>
<b>Non-financial assets:</b>		
Prepaid expenses	96,368	82,272
Others	236,720	265,107
<b>Total non-financial assets</b>	<b>333,088</b>	<b>347,379</b>
<b>Total receivables and other assets</b>	<b>3,021,280</b>	<b>2,825,066</b>

### 15 Investments at fair value through other comprehensive income

	31 Dec. 2019 KD	31 Dec. 2018 KD
Local quoted securities	32,264	30,954
Foreign quoted securities	2,680	1,813
Local unquoted securities	4,439,755	5,903,271
Foreign unquoted securities	46,935	52,839
Managed funds	13,891	26,832
	<b>4,535,525</b>	<b>6,015,709</b>

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

## Notes to the consolidated financial statements (continued)

### 15 Investments at fair value through other comprehensive income (continued)

The Group's investments at FVTOCI disaggregated by sectors are as follows:

	Financial services KD	Services KD	Others KD	Total KD
<b>31 December 2019</b>				
Local quoted securities	32,264	-	-	32,264
Foreign quoted securities	-	-	2,680	2,680
Local unquoted securities	-	4,366,255	73,500	4,439,755
Foreign unquoted securities	-	-	46,935	46,935
Managed funds	13,891	-	-	13,891
	<b>46,155</b>	<b>4,366,255</b>	<b>123,115</b>	<b>4,535,525</b>
<b>31 December 2018</b>				
Local quoted securities	30,954	-	-	30,954
Foreign quoted securities	-	-	1,813	1,813
Local unquoted securities	743,266	5,086,366	73,639	5,903,271
Foreign unquoted securities	-	-	52,839	52,839
Managed funds	26,832	-	-	26,832
	<b>801,052</b>	<b>5,086,366</b>	<b>128,291</b>	<b>6,015,709</b>

Investments at fair value through other comprehensive income amounting to KD4,398,376 are pledged as security against borrowing facilities of the Group (note 19).

### 16 Investment properties

The movement in investment properties is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance at the beginning of the year	1,861,449	6,542,067
Additions during the year	107,310	-
Change in fair value arising during the year	(135,739)	(33,290)
Disposals during the year	-	(458,732)
De-recognition on disposal of subsidiaries (refer note 7)	-	(4,179,673)
Foreign currency adjustment	(352)	(8,923)
Balance at end of the year	<b>1,832,668</b>	<b>1,861,449</b>

The details of fair valuation of investment properties are disclosed in note 28.3.

### 17 Investment in associates and joint ventures

	31 Dec. 2019 KD	31 Dec. 2018 KD
Investment in associates (17.1)	60,041,976	81,950,281
Investment in joint ventures (17.2)	2,451,200	-
	<b>62,493,176</b>	<b>81,950,281</b>

## Notes to the consolidated financial statements (continued)

### 17 Investment in associates and joint ventures (continued)

#### 17.1 Investment in associates

The details of the associates are as follows:

Company name	Principal Activities	Country of incorporation	31 Dec. 2019 %	31 Dec. 2018 %
Arzan Financial Group For Financing and Investment – KPSC (Quoted)	Financing	Kuwait	16.87	16.87
IFA Hotels and Resorts Co.– KPSC	Hotel operations	Kuwait	45.64	45.64
Neova Sigorta Insurance Company (a)	Insurance	Turkey	35	35
Zamzam Religious Tourism Co. – KSCC	Hajj & Umrah	Kuwait	20	20
Weqaya Takaful Insurance and Reinsurance Company-SSC (Quoted) (b)	Insurance	Saudi Arabia	20	20

The movement of the investment in associates is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Carrying value at the beginning of the year	81,950,281	38,832,258
Additions	-	62,401,687
Share of results of associates	(8,560,678)	(1,064,295)
Dividend received	(515,229)	(347,811)
Impairment (c)	(9,475,000)	(607,189)
Share of other comprehensive income	(2,289,124)	(3,502,540)
De-recognition on disposal of subsidiaries (refer note 7)	-	(11,426,120)
Share of adjustment on adoption of IFRS 9	(665,756)	-
Share of adjustment on adoption of IFRS 16	269,542	-
Share of loss on partial disposal of interest in subsidiary	(99,594)	-
Share of realised loss on investments at FVTOCI	-	77,984
Reclassified to investments at FVTOCI	-	(7,480)
Foreign exchange translation adjustment	(572,466)	(2,406,213)
	<b>60,041,976</b>	<b>81,950,281</b>

- Subsequent to the reporting date, the Group entered into an agreement to sell its entire investment in Neova Sigorta Insurance Company for a consideration of Turkish Lira 280.7 million subject to fees and expenses. The sale transaction is expected to be completed within a period of three to six months from the reporting date.
- The Group's has discontinued to recognise its share of further losses of the associate (Weqaya Takaful Insurance and Reinsurance Company) and is stated at a carrying value of KD1 from 1 April 2014 in accordance with IAS-28. The Group's share of unrecognised losses of the associate and its fair value as at 31 December 2019 cannot be determined because the investee company's shares have been delisted from trading since 29 May 2017. If the investee company subsequently reports profit, the Group will resume recognising its share of these profits only after its share of profits equal the share of losses not recognised.
- The Group assessed the fair value of its investments in Neova Sigorta Insurance Company and IFA Hotels and Resorts at the reporting date and recognised impairment losses of KD975,000 and KD8,500,000, respectively (2018: impairment losses of KD607,189 for the investment in Neova Sigorta Insurance Company).

## Notes to the consolidated financial statements (continued)

### 17 Investment in associates and joint ventures (continued)

- d) Investment in associates amounting to KD47,681,577 (31 December 2018: KD70,049,812) is pledged as security against Group's borrowings (Note 19).

Summarised financial information of Group's material associates are set out below. The summarised financial information below represents the amounts presented in the financial statements of the associates and not the Group's share of these amounts adjusted for differences in accounting policies between the Group and its associates.

#### Arzan Financial Group for Financing and Investment - KPSC [Quoted]:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current assets	128,685,105	110,453,993
Current assets	31,380,119	33,189,676
<b>Total assets</b>	<b>160,065,224</b>	<b>143,643,669</b>
Non-current liabilities	(36,933,404)	(12,068,620)
Current liabilities	(14,705,040)	(21,776,622)
<b>Total liabilities</b>	<b>(51,638,444)</b>	<b>(33,845,242)</b>
<b>Net assets attributable to the owner of the Parent Company</b>	<b>98,712,297</b>	<b>104,656,448</b>
<b>Non-controlling interest</b>	<b>9,929,798</b>	<b>5,141,979</b>
	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Income	11,962,873	7,003,478
Profit for the year	4,176,916	1,840,200
Other comprehensive loss for the year	(7,672,350)	(20,515,449)
<b>Total comprehensive loss for the year</b>	<b>(3,495,434)</b>	<b>(18,675,249)</b>

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Group's ownership interest (%)	16.87	16.87
Net assets of the associate	98,712,297	104,656,448
Group's share of net assets	16,652,765	17,650,310
Carrying amount	16,611,516	17,650,310
Market price	3,209,154	3,791,406

No dividends were received from Arzan during the years 2019 and 2018.

## Notes to the consolidated financial statements (continued)

### 17 Investment in associates and joint ventures (continued)

#### Arzan Financial Group for Financing and Investment - KPSC [Quoted]: (continued)

Management believes that the current market price per share of its investment in Arzan is not indicative of its fair value. Management has also obtained valuation of the investment and concluded that there is no impairment in the carrying value of its investment in Arzan.

#### IFA Hotels and Resorts Co.– KPSC (Quoted):

	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current assets	159,685,501	168,631,977
Current assets	111,148,923	127,875,413
<b>Total assets</b>	<b>270,834,424</b>	<b>296,507,390</b>
Non-current liabilities	(100,546,500)	(80,515,277)
Current liabilities	(145,828,477)	(164,304,773)
<b>Total liabilities</b>	<b>(246,374,977)</b>	<b>(244,820,050)</b>
<b>Net assets attributable to the owner of the Parent Company</b>	<b>24,773,647</b>	<b>51,945,716</b>
<b>Non-controlling interest</b>	<b>(314,200)</b>	<b>(258,376)</b>
	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Income	15,893,690	20,999,005
Loss for the year	(24,860,013)	(12,160,916)
Other comprehensive (loss)/income for the year	(2,208,259)	3,324,703
<b>Total comprehensive loss for the year</b>	<b>(27,068,272)</b>	<b>(8,836,213)</b>

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Group's ownership interest (%)	45.64	45.64
Net assets of the associate	24,773,647	51,945,716
Group's share of net assets	11,307,134	23,708,768
Goodwill	20,190,734	28,690,734
Carrying amount	31,497,868	52,399,502
Market price	14,296,379	24,706,364

No dividends were received from IFAHR during the years 2019 and 2018.

## Notes to the consolidated financial statements (continued)

### 17 Investment in associates and joint ventures (continued)

#### IFA Hotels and Resorts Co.– KPSC (Quoted): (continued)

The Group assessed the fair value of its investment in IFA Hotels and Resorts Co.– KPSC. Accordingly, the Group recognised an impairment loss of KD8,500,000 (2018: KD Nil).

Management believes that the current market price per share of its investment in IFAHR is not indicative of its fair value. Management has also obtained valuation of the investment and concluded that there is no further impairment in the carrying value of its investment in IFAHR.

#### Neova Sigorta Insurance Company (Unquoted):

	31 Dec. 2019 KD	31 Dec. 2018 KD
Non-current assets	32,915,825	47,334,278
Current assets	109,877,882	71,883,429
<b>Total assets</b>	<b>142,793,707</b>	<b>119,217,707</b>
Non-current liabilities	(55,599,206)	(45,252,130)
Current liabilities	(65,378,216)	(55,038,307)
<b>Total liabilities</b>	<b>(120,977,422)</b>	<b>(100,290,437)</b>
<b>Net assets</b>	<b>21,816,285</b>	<b>18,927,270</b>
	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Income	68,656,948	58,876,808
Profit for the year	5,996,709	4,803,568
Other comprehensive loss	(1,635,618)	(6,268,037)
<b>Total comprehensive income/(loss) for the year</b>	<b>4,361,091</b>	<b>(1,464,469)</b>

Reconciliation of the above summarised financial information of the associate with the carrying amount in the consolidated statement of financial position is given below:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Group's ownership interest (%)	35	35
<b>Net assets of the associate</b>	<b>21,816,285</b>	<b>18,927,270</b>
Group's share of net assets	7,635,699	6,624,547
Goodwill	4,266,365	5,241,365
<b>Carrying amount</b>	<b>11,902,064</b>	<b>11,865,912</b>

The Group assessed the fair value of its investment in Neova Sigorta Insurance Company. Accordingly, the Group recognised an impairment loss of KD975,000 (2018: KD607,189).

## Notes to the consolidated financial statements (continued)

### 17 Investment in associates and joint ventures (continued)

#### 17.2 Investment in joint ventures

The details of the joint venture are as follows:

Company name	Principal Activities	Country of incorporation	31 Dec. 2019 %	31 Dec. 2018 %
Um-Al-Hayman Holding Company – WLL	Holding/investment	Kuwait	50	-

During the year, the Parent Company participated in the incorporation of Um Al-Hayman Holding Company for KD2,541,200 for a 50% ownership interest.

The company has not started its operations as of the reporting date. Accordingly, no share of profit or loss were accounted for during the year ended 31 December 2019 and the carrying value represents the Group's share of the investee's net assets.

### 18 Payables and other liabilities

	31 Dec. 2019 KD	31 Dec. 2018 KD
Accounts payable and accruals	2,492,732	1,250,731
Deferred revenue (a)	3,022,500	-
Dividend payable	48,442	31,721
Provisions for KFAS, NLST and Zakat (refer note 8.1)	5,697,333	7,307,684
Provision for employees' end of service benefits and leave	516,217	471,290
Due to policyholders	2,912,216	3,223,847
Other liabilities	2,482,532	2,525,217
	<b>17,171,972</b>	<b>14,810,490</b>

- a) During the year, the Parent Company received USD10 million (equivalent to KD3,022,500) as commission for assisting a foreign contractor in obtaining a major construction project in Kuwait. This amount will be recognised as income once the Group has completed all the conditions stipulated in the agreements signed with the foreign contractor.

## Notes to the consolidated financial statements (continued)

### 19 Borrowings

The details of loan balances and bank facilities of the Group are as follows:

	Currency	Period due		Effective interest rates	Purpose	Assets pledged	31 Dec.	31 Dec.
		From	To				2019	2018
							KD	KD
1	USD	28-12-2005	28-12-2027	1.5%	Financing the Group's investments	Shares of Parent Company and IFAHR shares (a)	24,095,334	24,103,284
2	EUR	15-06-2007	28-12-2027	1.5%	Financing the Group's investments	Shares of IFAHR and certain investments at FVTOCI (a)	7,412,298	7,604,100
3	KD	26-06-2011	31-12-2023	4.5%	Debt repayment	Local portfolio with 120% coverage (b)	24,000,000	24,000,000
4	KD	01-01-2010	31-12-2019	4.75%	Local equity financing	Local portfolio with 175% coverage (b)	8,555,000	8,555,000
							<b>64,062,632</b>	<b>64,262,384</b>

(a) The Group did not pay certain instalments amounting to USD795,094 and Euro219,167 (equivalent to aggregate KD315,076) and its related interests due in accordance with contractual terms and conditions to a foreign bank. Consequently, the total outstanding loans amounting to USD79,509,436 and Euro21,916,661 (equivalent to aggregate KD31,507,632) became due.

(b) The Group did not pay certain instalments amounting to KD11,555,000 (2018: KD5,600,00) and its related interest due in accordance with contractual terms and conditions to local banks. Consequently, the total outstanding loans amounting to KD32,555,000 (2018: KD8,555,000) became due.

Management of the Parent Company is currently negotiating with all the lenders to settle these borrowings.

Further, the Parent Company has filed legal cases against the local banks to determine the amount due to those banks. The court referred the cases to the experts' department.

Furthermore, subsequent to the reporting date, one of the local banks to whom an amount of KD8,555,000 is due has obtained a cautionary order in its favor which was suspended as the Parent Company objected its execution which is yet to be decided by the court. Moreover, the Parent Company filed an objection against executing of contracts by one of the local banks to whom an amount of KD24,000,000 is due which it lost. Management of the Parent Company is in the view that this ruling doesn't effect the main case which is currently with the experts' department of Ministry of Justice.

The Parent Company requested but did not receive bank confirmations for borrowings amounting to KD32,555,000 as of 31 December 2019.



## Notes to the consolidated financial statements (continued)

### 19 Borrowings (continued)

The movement of the borrowings is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance at the beginning of the year	64,262,384	195,245,229
Loans obtained	-	3,516,634
Repayments	-	(19,957,257)
Interest capitalised	-	5,844,956
Foreign exchange adjustments	(199,752)	390,597
De-recognition on disposal of subsidiary (refer note 7.1)	-	(120,777,775)
<b>Balance at the end of the year</b>	<b>64,062,632</b>	<b>64,262,384</b>

The borrowings are pledged against Group's assets are as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Restricted balances (note 12)	346,446	346,446
Investments at FVTPL (note 13)	11,352	17,358
Investments at FVTOCI (note 15)	4,398,376	5,860,582
Investment in associates and joint ventures (note 17)	47,681,577	70,049,812
Investment in subsidiaries (note 6)	7,966,332	7,903,284
<b>Total assets pledged</b>	<b>60,404,083</b>	<b>84,177,482</b>

### 20 Share capital

The Parent Company's shareholders in their Extra-Ordinary General Assembly meeting held on 18 July 2019 approved the board of directors' proposal to set off the accumulated losses amounting to KD57,299,806 as at 31 March 2019 through utilization of the share premium amounting to KD11,973,061 and reduction of the share capital by KD45,326,745 (453,267,450 shares). The share capital reduction was approved by the relevant authorities and registered in the companies register on 4 August 2019.

The authorised, issued and paid up share capital of the Parent Company comprised of 266,732,550 shares of 100 Fils each, all fully paid (31 December 2018: 720,000,000 shares of 100 Fils each).

Share premium is not available for distribution, unless otherwise stipulated by local laws.

### 21 Treasury shares

	31 Dec. 2019	31 Dec. 2018
Number of treasury shares (share) (note 20)	17,452,666	47,110,564
Percentage of treasury shares to paid up capital (%)	6.54	6.54
Cost (KD)	32,757,404	32,757,404
Market Value	931,972	1,323,807

## Notes to the consolidated financial statements (continued)

### 22 Reserves

#### Statutory reserve

In accordance with the Companies Law and the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to statutory reserve. No transfer is required in a year when losses are made or where cumulative losses exist. The Parent Company may resolve to discontinue such annual transfer when the reserve equals or exceeds 50% of the paid-up share capital.

Distribution of the 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 when retained earnings are not sufficient for the payment of a dividend of that amount.

#### Voluntary reserve

In accordance with the Parent Company's articles of association, 10% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat provision, NLST provision and directors' remuneration is to be transferred to voluntary reserve. The Parent Company may resolve to discontinue such transfers by a resolution of the Parent Company's Board of Directors. There are no restrictions on distribution of voluntary reserve.

No transfer is required in a year when losses are made or when cumulative losses exist.

### 23 Fiduciary accounts

The Parent Company previously managed portfolios on behalf of others, mutual funds and maintains cash balances and securities in fiduciary accounts, which were not reflected in the consolidated statement of financial position. However, as a result of the change of the legal status of the Parent Company to a holding company and change in its activities, it is no longer allowed to manage portfolios. The existing portfolio balance is either currently being disposed of or transferred to other entities. Assets under management at 31 December 2019 amounted to KD988,198 (31 December 2018: KD4,141,000). The Group earned management fee of KD12,931 (31 December 2018: KD15,153) from these activities.

### 24 Annual general assembly

The board of directors of the Parent Company proposed not to distribute any dividend for the year ended 31 December 2019. This proposal is subject to the approval of the Parent Company's shareholders at the Annual General Assembly.

The ordinary General Assembly of the shareholders' of the Parent Company held on 16 May 2019 approved the consolidated financial statements for the year ended 31 December 2018 and the directors' proposal not to distribute dividends for the year ended 31 December 2018.

## Notes to the consolidated financial statements (continued)

### 25 Capital commitments and contingent liabilities

(a) The Group has the following commitments:

At 31 December 2019, the Group is committed to invest in the additional anticipated funding required towards its investment in joint venture. The estimated funding commitments is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Contractual capital injection in a joint venture	7,448,800	-
	<b>7,448,800</b>	<b>-</b>

In addition, the Group's is committed, through its associates and joint ventures, towards its share of funding required to construct several real estate projects in Dubai – UAE and South Africa. The Group's share in the estimated funding commitments on these projects is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Estimated and contracted capital expenditure for construction of properties under development and trading properties	925,478	2,539,423
Finance guarantees	15,314	16,272
Post-dated cheques issued	3,411,967	1,716,802
	<b>4,352,759</b>	<b>4,272,497</b>

(b) The Group has the following contingent liabilities:

	31 Dec. 2019 KD	31 Dec. 2018 KD
<b>Contingent liabilities</b>		
Against letters of guarantee	2,500,000	2,500,000

## Notes to the consolidated financial statements (continued)

### 26 Segmental information

The Group's activities are concentrated in four main segments: treasury and investments, real estate and others. The segments' results are reported to the higher management in the Group. In addition, the segments revenue, assets are reported based on the geographic locations which the Group operates in. The following is the segments information, which conforms with the internal reporting presented to management.

	Treasury and Investments		Real Estate		Others		Total	
	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD
<b>Statement of profit or loss</b>								
<b>Segment income:</b>								
From continuing operations	(8,116,124)	(7,638,443)	(135,739)	-	2,493,883	2,499,374	(5,757,980)	(5,139,069)
From discontinued operations	-	1,241,504	-	17,492,410	-	937,366	-	19,671,280
	(8,116,124)	(6,396,939)	(135,739)	17,492,410	2,493,883	3,436,740	(5,757,980)	14,532,211
<b>Segment results:</b>								
From continuing operations	(19,758,244)	(11,195,086)	(135,739)	-	1,498,990	1,247,148	(18,394,993)	(9,947,938)
From discontinued operations	-	1,241,504	-	(7,692,170)	-	937,366	-	(5,513,300)
	(19,758,244)	(9,953,582)	(135,739)	(7,692,170)	1,498,990	2,184,514	(18,394,993)	(15,461,238)
Loss for the year							(18,394,993)	(15,461,238)
Depreciation							3,792	2,924,524
Impairment on various assets							9,475,000	607,189
Finance costs							2,167,120	10,036,311

## Notes to the consolidated financial statements (continued)

### 26 Segmental information (continued)

Statement of financial position	Treasury and Investments		Real Estate		Others		Total	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	KD	KD	KD	KD	KD	KD	KD	KD
Total segmental assets	70,349,811	91,762,669	1,846,873	1,879,446	-	-	72,196,684	93,642,115
Total segmental liabilities	(65,281,374)	(64,262,384)	-	-	-	-	(65,281,374)	(64,262,384)
<b>Net segmental assets</b>	<b>5,068,437</b>	<b>27,500,285</b>	<b>1,846,873</b>	<b>1,879,446</b>	<b>-</b>	<b>-</b>	<b>6,915,310</b>	<b>29,379,731</b>
Unallocated assets							<b>22,984,515</b>	<b>22,056,744</b>
Unallocated liabilities							<b>(20,449,856)</b>	<b>(18,959,126)</b>
<b>Net Assets</b>							<b>9,449,969</b>	<b>32,477,349</b>

Geographical information:

	Assets		Income	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
	KD	KD	KD	KD
Kuwait	64,043,829	107,658,380	(7,721,089)	(5,184,861)
GCC and Asia	26,835,214	4,712,604	1,997,607	17,204,469
Africa	-	-	-	2,271,786
Others	4,302,156	3,327,875	(34,498)	240,817
	<b>95,181,199</b>	<b>115,698,859</b>	<b>(5,757,980)</b>	<b>14,532,211</b>

## Notes to the consolidated financial statements (continued)

### 27 Related parties transactions and balances

Related parties represent 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 Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note.

Details and transactions with related parties are as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
<b>Balances included in the consolidated statement of financial position:</b>		
<b>Due from related parties:</b>		
- Due from associates	16,380,092	16,390,545
- Due from other related parties	3,583,143	2,841,133
	<u>19,963,235</u>	<u>19,231,678</u>
<b>Due to related parties:</b>		
- Due to associates	68,157	69,144
- Due to other related parties	3,209,727	3,351,770
	<u>3,277,884</u>	<u>3,420,914</u>
	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
<b>Transactions included in the consolidated statement of profit or loss:</b>		
Finance costs	<u>150,240</u>	<u>475,756</u>
Dividend income	<u>155,174</u>	<u>178,498</u>
Other operating expenses and charges	<u>80,000</u>	<u>80,000</u>
Write-off amount due from related party	<u>89,289</u>	<u>-</u>
Gain on sale of subsidiaries	<u>-</u>	<u>69,538</u>
<b>Key management compensation of the Group:</b>		
Short-term benefits	<u>348,023</u>	<u>662,016</u>

Due from related parties are non-interest bearing and have no specific repayment terms.

Due to related parties include balances amounting to KD3,072,693 (31 December 2018: KD3,070,663) which carries average interest of 4.75% per annum (31 December 2018: 4.75%) and is repayable in 2021. The remaining balances of KD201,374 (31 December 2018: KD350,251) are non-interest bearing and have no specific repayment terms.

## Notes to the consolidated financial statements (continued)

### 28 Fair value measurement

#### 28.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### 28.2 Fair value measurement of financial instruments

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

	31 Dec. 2019 KD	31 Dec. 2018 KD
<b>Financial assets:</b>		
<b>At amortised cost:</b>		
- Cash and cash equivalents	383,362	426,616
- Receivables and other assets	2,688,192	2,477,687
- Due from related parties	19,963,235	19,231,678
<b>At fair value:</b>		
- Investments at fair value through profit or loss	2,937,748	3,370,063
- Investments at fair value through other comprehensive income	4,535,525	6,015,709
	<b>30,508,062</b>	<b>31,521,753</b>
<b>Financial liabilities:</b>		
<b>At amortised cost:</b>		
- Payables and other liabilities	17,171,972	14,810,490
- Due to related parties	3,277,884	3,420,914
- Due to banks	1,218,742	727,722
- Borrowings	64,062,632	64,262,384
	<b>85,731,230</b>	<b>83,221,510</b>

Management considers that the carrying amounts of financial assets and financial liabilities, which are stated at amortised cost, approximate their fair values.

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

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

## Notes to the consolidated financial statements (continued)

### 28 Fair value measurement (continued)

#### 28.2 Fair value measurement of financial instruments

31 December 2019

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>Investments at FVTPL</b>				
<i>Investments held for trading:</i>				
Local quoted securities	31,911	-	-	31,911
Local unquoted securities	-	-	14,555	14,555
Foreign unquoted securities	-	-	2,891,282	2,891,282
<b>Investments at FVTOCI</b>				
Local quoted securities	32,264	-	-	32,264
Foreign quoted securities	2,680	-	-	2,680
Managed funds	-	13,891	-	13,891
Unquoted securities	-	-	4,486,690	4,486,690
	<b>66,855</b>	<b>13,891</b>	<b>7,392,527</b>	<b>7,473,273</b>

31 December 2018

<b>Investments at FVTPL</b>				
<i>Investments held for trading:</i>				
Local quoted securities	27,633	-	-	27,633
Local unquoted securities	-	-	14,555	14,555
Foreign unquoted securities	-	-	3,327,875	3,327,875
<b>Investments at FVTOCI</b>				
Local quoted securities	30,954	-	-	30,954
Foreign quoted securities	1,813	-	-	1,813
Managed funds	-	26,832	-	26,832
Unquoted securities	-	-	5,956,110	5,956,110
	<b>60,400</b>	<b>26,832</b>	<b>9,298,540</b>	<b>9,385,772</b>

There have been no significant transfers between levels 1 and 2 during the reporting period.

#### Measurement at fair value

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

##### a) Quoted securities

All the listed equity securities are publicly traded in stock exchanges. Fair values have been determined by reference to their quoted bid prices at the reporting date.

##### b) Unquoted securities

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

##### c) Investment in managed funds

Investment funds managed by other mainly comprise of unquoted units and the fair value of these units has been determined based on net assets values reported by the fund manager as of the reporting date.



## Notes to the consolidated financial statements (continued)

### 28 Fair value measurement (continued)

#### 28.2 Fair value measurement of financial instruments (continued)

The following table gives information about how the fair values of the financial assets at FVTPL and FVTOCI are determined (in particular, the valuation techniques(s) and inputs used).

Financial assets	Fair value as at	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 Dec. 2019 KD		31 Dec. 2018 KD		
Local quoted securities	31,911	1	Quoted bid prices	N/A	N/A
Local unquoted securities	14,555	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
Foreign unquoted securities	2,891,282	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
<b>Investments at FVTPL:</b>					
Local quoted securities	32,264	1	Quoted bid prices	N/A	N/A
Foreign quoted securities	2,680	1	Quoted bid prices	N/A	N/A
Managed funds	13,891	2	NAV Basis	N/A	N/A
Unquoted securities	4,486,690	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value
<b>Investments at FVTOCI:</b>					
Local quoted securities	30,954	1	Quoted bid prices	N/A	N/A
Foreign quoted securities	1,813	1	Quoted bid prices	N/A	N/A
Managed funds	26,832	2	NAV Basis	N/A	N/A
Unquoted securities	5,956,110	3	Discounted cash flows	Cash flow estimate and discount rate	Higher estimated cash flows and lower discount rates, results in higher fair value

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

## Notes to the consolidated financial statements (continued)

### 28 Fair value measurement (continued)

#### 28.2 Fair value measurement of financial instruments (continued)

##### Level 3 fair value measurements

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

	Investments at FVTPL	
	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance beginning of the year	3,342,430	53,496
Adjustment arising on adoption of IFRS 9	-	2,672,725
Disposal	(673,562)	(38,941)
Gains or losses recognised in: - Consolidated statement of profit or loss	236,969	655,150
Balance end of the year	2,905,837	3,342,430
Total amount recognised in profit or loss on level 3 instruments	53,998	655,150

	Investments at FVTOCI	
	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance beginning of the year	5,956,110	14,272,214
Adjustment arising on adoption of IFRS 9	-	(2,672,725)
Movement between level 3 and carried at cost	-	764,220
Additions	436,851	1,531,020
Disposals	(607,466)	(4,961,975)
Transferred	-	1,394
De-recognition on disposal of subsidiaries	-	(2,527,282)
Gains or losses recognised in: - Other comprehensive loss	(1,298,805)	(450,756)
Balance end of the year	4,486,690	5,956,110

#### 28.3 Fair value measurement of non-financial assets

The Group also measures non-financial assets such as investment properties at fair value at each annual reporting date. The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis:

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2019</b>				
<b>Investment properties</b>				
Land in Jordan	-	-	357,514	357,514
Land in UAE	-	-	371,334	371,334
Apartment in UAE	-	-	103,148	103,148
Buildings in Lebanon	-	-	1,000,672	1,000,672
	-	-	1,832,668	1,832,668

## Notes to the consolidated financial statements (continued)

### 28 Fair value measurement (continued)

#### 28.3 Fair value measurement of non-financial assets (continued)

	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
<b>31 December 2018</b>				
<b>Investment properties</b>				
Land in Jordan	-	-	401,212	401,212
Land in UAE	-	-	472,575	472,575
Buildings in Lebanon	-	-	987,662	987,662
	-	-	1,861,449	1,861,449

The fair value of the investment properties has been determined based on valuations obtained from independent valuers, who are specialised in valuing these types of investment properties. The significant inputs and assumptions are developed in close consultation with management.

The fair value of investment properties was determined using the market comparison approach. The market approach reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the land in question, including plot size, location, encumbrances, current use and construction costs.

The non-financial assets within level 3 can be reconciled from beginning to ending balances as follows:

	Investment properties Total	
	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance beginning of the year	1,861,449	6,542,067
Additions	107,310	-
Disposal	-	(458,732)
Gains or losses recognised in consolidated statement of profit or loss:		
- Change in fair value	(135,739)	(33,290)
Foreign currency translation differences	(352)	(8,923)
Related to disposal of subsidiaries (note 7)	-	(4,179,673)
Balance end of the year	1,832,668	1,861,449
Total amount included in the consolidated statement of profit or loss for unrealised loss on level 3 assets	(135,739)	(33,290)

### 29 Risk management objectives and policies

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

The board of directors of the Parent Company is ultimately responsible for setting out risk strategies and objectives and policies for their management. The Group's risk management is carried out by the central risk management function and focuses on actively securing the Group's short to medium term cash flows by minimizing the potential adverse effects on the Group's financial performance through internal risk reports which analyse exposures by degree and magnitude of risks. Long term financial investments are managed to generate lasting returns.

## Notes to the consolidated financial statements (continued)

### 29 Risk management objectives and policies (continued)

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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

#### 29.1 Market risk

##### a) Foreign currency risk management

The Group mainly operates in the GCC, South Africa and other Middle Eastern countries and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to UAE Dirham, Euro and US Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored and forward exchanged contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Where the amounts to be paid and received in specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward foreign contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other foreign currency transactions.

The Group had the following significant exposures denominated in foreign currencies, translated into Kuwaiti Dinar at the closing rate at year end:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Euro	(7,502,824)	(7,546,512)
US Dollar	(24,488,424)	(24,137,818)
UAE Dirhams	14,409,052	14,413,802

If the Kuwaiti Dinar had strengthened/weakened against the foreign currencies by 5% (2018: 5%), then this would have the following impact on the loss for the year. There is no impact on the Group's equity.

	<u>Loss/profit for the year</u>	
	31 Dec. 2019 KD	31 Dec. 2018 KD
Euro	±375,141	±377,326
US Dollar	±1,224,421	±1,206,891
UAE Dirhams	±720,453	±720,690

The above percentages have been determined based on the average foreign exchange rates in the previous twelve months.

Exposures to foreign exchange rates vary during the year depending on the volume and nature of the transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

## Notes to the consolidated financial statements (continued)

### 29 Risk management objectives and policies (continued)

#### 29.1 Market risk (continued)

##### b) Interest rate risk

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

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

The following table illustrates the sensitivity of the (loss)/profit for the year to a reasonably possible change in interest rates of + 1% and – 1% (31 December 2018: + 1% and –1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market condition. The calculations are based on the Group's financial instruments held at each date of the consolidated statement of financial position. All other variables are held constant. There has been no change during the year in the methods and assumptions used in preparing the sensitivity analysis.

	31 Dec. 2019		31 Dec. 2018	
	+ 1 % KD	-1 % KD	+ 1 % KD	-1 % KD
Loss for the year	673,069	(673,069)	642,624	(642,624)

##### c) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is not significantly exposed to equity price risk as the total value of its listed equity investments are not significant.

#### 29.2 Credit risk

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

The Group's exposure to credit risk is limited to the carrying amounts of financial assets recognised at the date of the consolidated statement of financial position, as summarized below:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Bank balances	383,362	426,616
Receivables and other assets	2,688,192	2,477,687
Due from related parties	19,963,235	19,231,678
	<b>23,034,789</b>	<b>22,135,981</b>

## Notes to the consolidated financial statements (continued)

### 29 Risk management objectives and policies (continued)

#### 29.2 Credit risk (continued)

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are neither past due nor impaired for each of the reporting dates under review are of good credit quality.

Bank balances are maintained with high credit quality financial institutions.

In respect of receivables and other assets, the Group is not exposed to any significant credit risk exposure to any single counterparty.

The credit risk for the amounts due from related parties is considered low by management as the counterparties are reputable Group companies with no history of default. Accordingly, based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group.

Information on other significant concentrations of credit risk is set out in note 29.3.

#### 29.3 Concentration of assets

The Group operates in different geographical areas. The distribution of financial assets by geographic region is as follows:

	ME KD	Asia KD	Europe KD	USA KD	Total KD
<b>At 31 December 2019</b>					
Cash and cash equivalents	359,924	-	23,438	-	383,362
Investments at fair value through profit or loss	46,466	-	2,891,282	-	2,937,748
Receivables and other assets	2,688,192	-	-	-	2,688,192
Due from related parties	19,963,235	-	-	-	19,963,235
Investments at FVTOCI	4,500,199	21,435	13,891	-	4,535,525
	<b>27,558,016</b>	<b>21,435</b>	<b>2,928,611</b>	<b>-</b>	<b>30,508,062</b>
<b>At 31 December 2018</b>					
Cash and cash equivalents	424,123	2,493	-	-	426,616
Investments at fair value through profit or loss	42,188	-	3,327,875	-	3,370,063
Receivables and other assets	2,466,316	11,371	-	-	2,477,687
Due from related parties	19,225,416	6,262	-	-	19,231,678
Investments at FVTOCI	3,134,568	25,616	-	2,855,525	6,015,709
	<b>25,292,611</b>	<b>45,742</b>	<b>3,327,875</b>	<b>2,855,525</b>	<b>31,521,753</b>

#### 29.4 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

## Notes to the consolidated financial statements (continued)

### 29 Risk management objectives and policies (continued)

#### 29.4 Liquidity risk management (continued)

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows.

	On demand KD	Up to 1 year KD	Over 1 Year KD	Total KD
<b>31 December 2019</b>				
<b>Financial liabilities</b>				
Payables and other liabilities	-	11,281,195	5,890,777	17,171,972
Due to related parties	205,191	-	3,072,693	3,277,884
Due to banks	1,218,742	-	-	1,218,742
Borrowings	64,062,632	-	-	64,062,632
	<b>65,486,565</b>	<b>11,281,195</b>	<b>8,963,470</b>	<b>85,731,230</b>
<b>31 December 2018</b>				
<b>Financial liabilities</b>				
Payables and other liabilities	-	8,812,308	5,998,182	14,810,490
Due to related parties	350,251	-	3,070,663	3,420,914
Due to banks	727,722	-	-	727,722
Borrowings	8,555,000	3,318,135	52,389,249	64,262,384
	<b>9,632,973</b>	<b>12,130,443</b>	<b>61,458,094</b>	<b>83,221,510</b>

Maturity profile of assets and liabilities at 31 December 2019:

	Within 1 year KD	Over 1 year KD	Total KD
<b>31 December 2019</b>			
<b>Assets</b>			
Cash and cash equivalents	383,362	-	383,362
Investments at fair value through profit or loss	2,937,748	-	2,937,748
Receivables and other assets	616,178	2,405,102	3,021,280
Due from related parties	19,963,235	-	19,963,235
Investments at FVTOCI	-	4,535,525	4,535,525
Investment properties	-	1,832,668	1,832,668
Investment in associates and joint ventures	-	62,493,176	62,493,176
Property and equipment	-	14,205	14,205
	<b>23,900,523</b>	<b>71,280,676</b>	<b>95,181,199</b>
<b>Liabilities</b>			
Payables and other liabilities	11,281,195	5,890,777	17,171,972
Due to related parties	205,191	3,072,693	3,277,884
Due to banks	1,218,742	-	1,218,742
Borrowings	64,062,632	-	64,062,632
	<b>76,767,760</b>	<b>8,963,470</b>	<b>85,731,230</b>

## Notes to the consolidated financial statements (continued)

### 29 Risk management objectives and policies (continued)

#### 29.4 Liquidity risk management (continued)

Maturity profile of assets and liabilities at 31 December 2018:

	Within 1 year KD	Over 1 year KD	Total KD
<b>31 December 2018</b>			
<b>Assets</b>			
Cash and cash equivalents	426,616	-	426,616
Investments at fair value through profit or loss	3,370,063	-	3,370,063
Receivables and other assets	607,293	2,217,773	2,825,066
Due from related parties	19,231,678	-	19,231,678
Investments at FVTOCI	-	6,015,709	6,015,709
Investment properties	-	1,861,449	1,861,449
Investment in associates and joint ventures	-	81,950,281	81,950,281
Property and equipment	-	17,997	17,997
	23,635,650	92,063,209	115,698,859
<b>Liabilities</b>			
Payables and other liabilities	8,812,308	5,998,182	14,810,490
Due to related parties	350,251	3,070,663	3,420,914
Due to banks	727,722	-	727,722
Borrowings	11,873,135	52,389,249	64,262,384
	21,763,416	61,458,094	83,221,510

### 30 Capital management objectives

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide adequate return to its shareholders through the optimization of the capital structure.

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

The capital structure of the Group consists of the following:

#### Gearing ratio

The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.



## Notes to the consolidated financial statements (continued)

### 30 Capital management objectives (continued)

	31 Dec. 2019 KD	31 Dec. 2018 KD
Debt (a)	64,062,632	64,262,384
Cash and cash equivalents (note 12)	1,181,826	647,552
<b>Net debt</b>	<b>65,244,458</b>	<b>64,909,936</b>
Equity (b)	9,449,969	32,477,349
<b>Net debt to equity ratio</b>	<b>690%</b>	<b>200%</b>

- a. Debt is defined as long and short term borrowings.  
 b. Equity includes all capital and reserves of the Group.

### 31 Subsequent event

Subsequent to the reporting date, on 11 March 2020, the World Health Organization declared Covid-19 as a pandemic which negatively impacted global markets including Kuwait Stock Market (Boursa) which has declined over 24% up to the end of March 2020 and disrupted business operations and supply chains as well as changed social behaviours. It is uncertain how long Covid-19 will continue disrupting global markets and what impact it will have on the Group's operation. As the situation is fluid and rapidly evolving, it was not practicable for the Group to determine a quantitative estimate of the potential impact of this outbreak on the Group's business and operations.