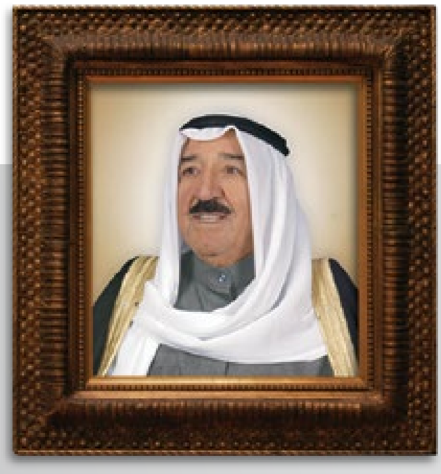
ANNUAL REPORT

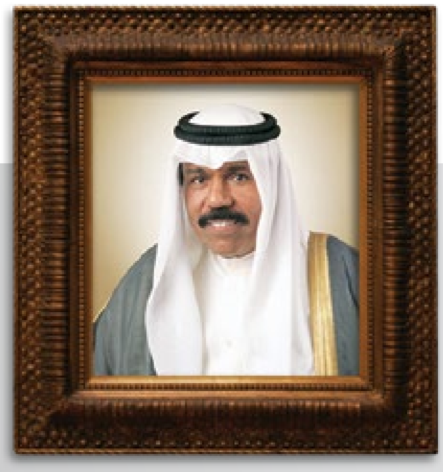
2019

Kuwait International Investment Holding Company - K.S.C. (Public)

- KUWAIT -



H.H. Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
AMIR OF KUWAIT



H.H. Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
CROWN PRINCE

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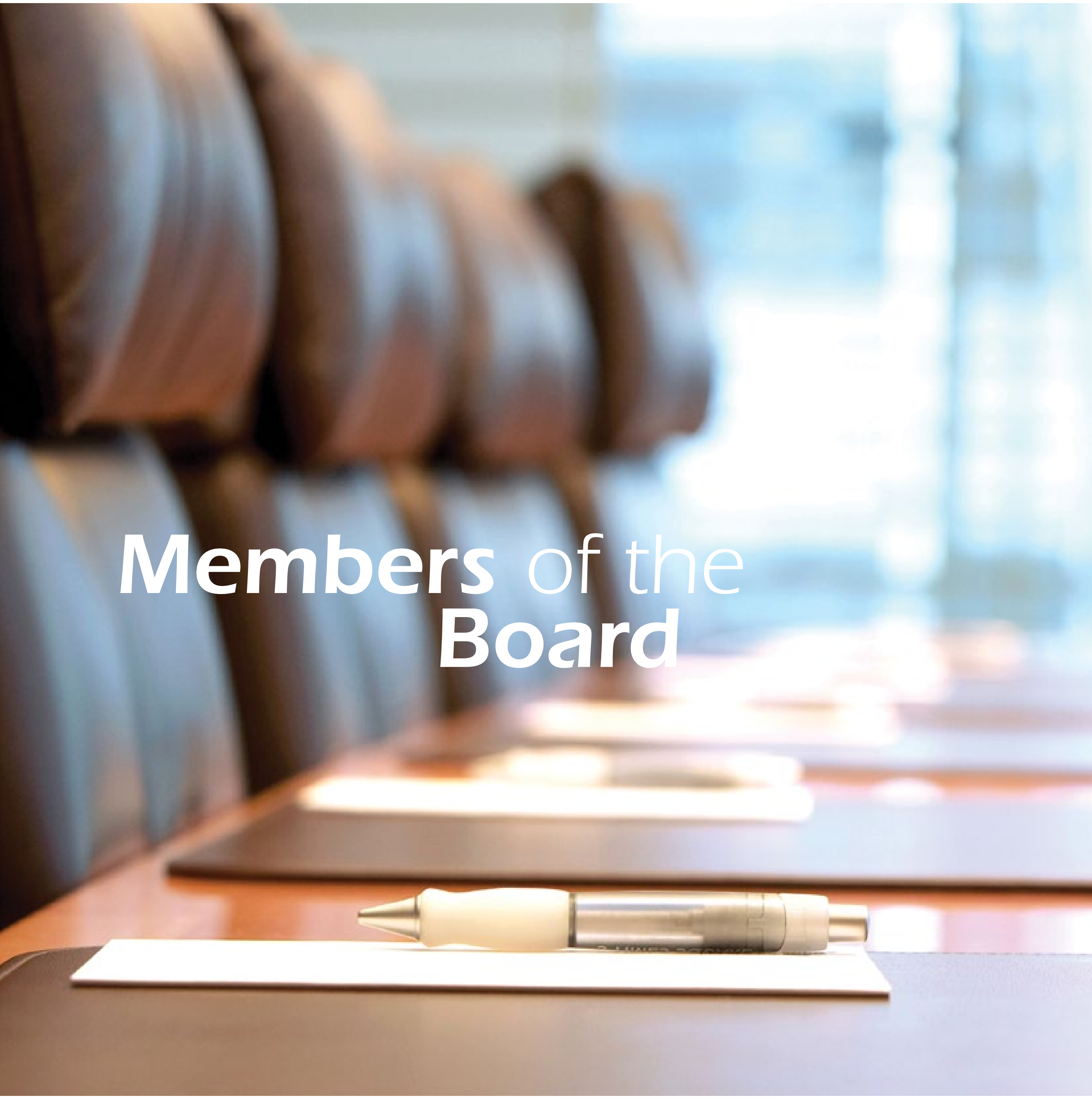

Members of the
Board

Hamed M. Al Aiban
Chairman

Talal B. Al Bahar
Vice Chairman

Rami Khaled Ali
Board Member

Laila A. Al Ibrahim
Board Member

Bader J. Al Hajri
Board Member

Abdullah A. Al Asfor
Board Member

Khaled B. Al-Tahoos
Board Member

Mohammed I. Al Hadaib
Board Member

Chairman Message

**IN THE NAME OF ALLAH,
MOST GRACIOUS MOST MERCIFUL**

The respected shareholders,
Greeting,
I am pleased with the board members of Kuwait International Investment Holding Company, to submit to you the board report on the company activities and its financial performance for the fiscal year ending on 31 December 2019.

The Financial Performance

The company has achieved, praise be to God, profits of 3.5 million Kuwaiti dinars in 2019, compared to profits of 35.4 million Kuwaiti dinars in 2018 (of which 32.8 million dinars were the result of a final judicial ruling in favor of the company by government agencies), with a profit of 210 fils per share compared to 2,073 fils per share in 2018. Shareholders' equity also increased from KWD 44.3 million in 2018 to reach KWD 47.4 million in 2019.

The company's performance

During the fiscal year 2019, the company continued to implement the planned strategy by investing in income-generating assets by reviewing and improving the performance of the investment portfolio in line with that strategy, as several investments with a total value of KWD 3.2 million were withdrawn. The company has also expanded investment in several various hotel and real estate projects that are characterized by maintaining a high market value in addition to being income-generating with a total value of 8.7 million Kuwaiti dinars, which will improve future cash flows and enhance the company's ability to achieve the desired growth rates.

Future Projects

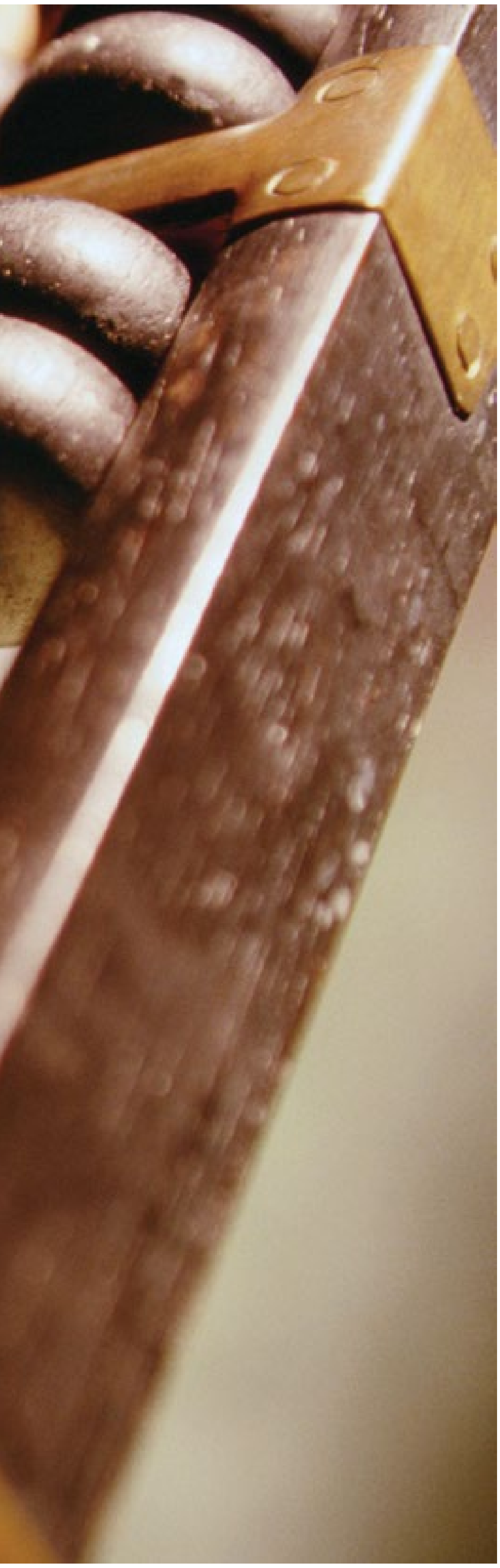
With the help of God, the company will continue to implement the strategy developed by expanding and diversifying its investments, both locally and externally, and achieving good returns on those investments in a way that maximizes and preserves shareholder rights in light of the difficult challenges that hit the global and local economy with severe damage to the outbreak of the Corona pandemic at the beginning of the year 2020. God Almighty called for this epidemic to be lifted from us and we ask Him for the safety to everyone.

Finally, I direct my thanks to you, to the members of the company board, the employees of the company and to all those who contributed to achieve the success and prosperity of the company.

May Allah Grant Success

Hamed Mohammed Al-Aiban
Chairman

Financial Statements



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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Kuwait International Investment Holding Company K.S.C. (Public)
State of Kuwait

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kuwait International Investment Holding Company K.S.C. (Public) ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, 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 opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors` report to the related disclosures in the 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 auditors` report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, the financial statements incorporate the information required by the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, and the Company's Memorandum of Incorporation and Articles of Association, as amended. We further report that we have obtained all the information and explanations that we required for the purpose of our audit, proper books of account have been kept by the Company, that an inventory was duly carried out, and the financial statements, together with the contents of the report of the Company's board of directors relating to these financial statements, are in accordance therewith, and to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, nor of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended December 31, 2019, that might have had a material effect on the business or financial position of the Company.

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

Dr. Shuaib A. Shuaib
(Licence No. 33-A)
RSM Albazie & Co.

State of Kuwait
6 July 2020

STATEMENT OF FINANCIAL POSITION

As at December 31, 2019 — All amounts are in Kuwaiti Dinars

	Notes	2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents	3	**413,519**	1,338,742
Financial assets at fair value through profit or loss	4	**25,645,674**	23,839,013
Debit balances and other assets	5	**551,482**	5,057,986
Total current assets		**26,610,675**	30,235,741
Non-current assets:			
Financial assets at fair value through other comprehensive income	6	**20,377,339**	14,322,611
Property under development	7	**1,252,062**	1,252,062
Investment property	8	**1,789,470**	1,789,470
Total non-current assets		**23,418,871**	17,364,143
Total assets		**50,029,546**	47,599,884
LIABILITIES AND EQUITY			
Current liability:			
Credit balances and other liabilities	9	**2,480,905**	3,205,783
Total current liability		**2,480,905**	3,205,783
Non-current liability:			
Provision for end of service indemnity		**100,707**	93,231
Total non-current liability		**100,707**	93,231
Total liabilities		**2,581,612**	3,299,014
Equity:			
Share capital	10	**1,719,383**	1,146,255
Statutory reserve	12	**4,203,210**	4,203,210
Voluntary reserve	13	**4,203,210**	4,203,210
Treasury shares	14	**(13,399)**	(13,399)
Cumulative changes in fair value reserve		**1,514,091**	1,778,207
Retained earnings		**35,821,439**	32,983,387
Total equity		**47,447,934**	44,300,870
Total liabilities and equity		**50,029,546**	47,599,884

Hamed Mohammed Al-Aiban
Chairman

The accompanying notes from (21) to (37) form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2019 — All amounts are in Kuwaiti Dinars

	Notes	2019	2018
Revenues:			
Rental income	15	**1,614,308**	1,646,708
Interest income		**-**	27,976
		1,614,308	1,674,684
Expenses:			
Rental cost		**(659,704)**	(692,039)
General and administrative expenses		**(581,162)**	(2,890,084)
Allowance for expected credit losses	5	**(240,166)**	-
		(1,481,032)	(3,582,123)
Gains, losses and other items:			
Net investments income	16	**3,510,561**	2,907
Change in fair value of property under development	7	**-**	(21,966)
Gain on disposal of investment property	18	**-**	4,669,557
Change in fair value of investment property	8	**-**	216,745
Provision no longer required for governmental entities' debts		**-**	32,804,328
Other income		**12,326**	-
Foreign exchange (loss) gain		**(641)**	7,459
Profit for the year before contributions to Kuwait Foundation for the Advancement of Science (KFAS), and Zakat		**3,655,522**	35,771,591
Contribution to KFAS	2 - n	**(36,555)**	(321,944)
Contribution to Zakat	2 - o	**(33,539)**	(28,356)
Profit for the year		**3,585,428**	35,421,291
Earnings per share:		**Fils**	Fils
Basic and diluted earnings per share	17	**210**	2,073

The accompanying notes from (21) to (37) form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

All amounts are in Kuwaiti Dinars

	Note	2019	2018
Profit for the year		**3,585,428**	35,421,291
Other comprehensive income:			
Item that will not be reclassified subsequently to statement of profit or loss:			
Change in fair value of financial assets (equity instruments) at fair value through other comprehensive income	6	**(215,317)**	286,798
Other comprehensive (loss) income for the year		**(215,317)**	286,798
Total comprehensive income for the year		**3,370,111**	35,708,089

The accompanying notes from (21) to (37) form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

All amounts are in Kuwaiti Dinars

	Share capital	Statutory reserve	Voluntary reserve	Treasury shares	Cumulative changes in fair value	Retained earnings	Total equity
Balance as at January 1, 2019	1,146,255	4,203,210	4,203,210	(13,399)	1,778,207	32,983,387	44,300,870
Issue of bonus shares (Note 10)	573,128	-	-	-	-	(573,128)	-
Dividend distribution (Note 11)	-	-	-	-	-	(227,793)	(227,793)
Gain on sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	4,746	4,746
Transfer to retained earnings upon sale of financial assets at fair value through other comprehensive income	-	-	-	-	(48,799)	48,799	-
Profit for the year	-	-	-	-	-	3,585,428	3,585,428
Other comprehensive loss for the year	-	-	-	-	(215,317)	-	(215,317)
Total comprehensive (loss) income for the year	-	-	-	-	(215,317)	3,585,428	3,370,111
Balance as at December 31, 2019	**1,719,383**	**4,203,210**	**4,203,210**	**(13,399)**	**1,514,091**	**35,821,439**	**47,447,934**
Balance as at January 1, 2018	1,146,255	626,051	626,051	(13,399)	1,669,415	4,538,408	8,592,781
Transfer to retained earnings upon sale of financial assets at fair value through other comprehensive income	-	-	-	-	(178,006)	178,006	-
Profit for the year	-	-	-	-	-	35,421,291	35,421,291
Other comprehensive income for the year	-	-	-	-	286,798	-	286,798
Total comprehensive income for the year	-	-	-	-	286,798	35,421,291	35,708,089
Transferred to reserves	-	3,577,159	3,577,159	-	-	(7,154,318)	-
Balance as at December 31, 2018	1,146,255	4,203,210	4,203,210	(13,399)	1,778,207	32,983,387	44,300,870

The accompanying notes from (21) to (37) form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

All amounts are in Kuwaiti Dinars

	Notes	2019	2018
Cash flows from operating activities:			
Profit for the year before contributions to KFAS and Zakat		**3,655,522**	35,771,591
Adjustments:			
Net investments income	16	**(3,510,561)**	(2,907)
Change in fair value of property under development	7	**-**	21,966
Gain on disposal of investment property	18	**-**	(4,669,557)
Change in fair value of investment property	8	**-**	(216,745)
Interest income		**-**	(27,976)
Allowance for expected credit losses	5	**240,166**	-
Provision no longer required for governmental entities' debts		**-**	(32,804,328)
Provision for end of service indemnity		**8,052**	9,117
		393,179	(1,918,839)
Changes in operating assets and liabilities:			
Debit balances and other assets		**(127,130)**	(578,123)
Credit balances and other liabilities		**(829,719)**	1,407,842
Cash flow used in operations		**(563,670)**	(1,089,120)
Payment of end of service indemnity		**(576)**	-
Net cash flow used in operating activities		**(564,246)**	(1,089,120)
Cash flows from investing activities:			
Proceeds from sale of financial assets at fair value through profit or loss	4	**1,553,311**	25,618
Paid for purchase of financial assets at fair value through profit or loss		**(1,440,038)**	-
Paid for purchase of financial assets at fair value through other comprehensive income	6	**(5,974,277)**	(1,296,785)
Proceeds from sale of financial assets at fair value through other comprehensive income		**432,153**	803,333
Dividend income received *		**5,260,920**	221,762
Interest income received		**-**	27,976
Net cash flow used in investing activities		**(167,931)**	(218,096)
Cash flows from financing activities:			
Dividends paid to shareholders		**(193,046)**	-
Net cash flow used in financing activities		**(193,046)**	-
Net decrease in cash and cash equivalents		**(925,223)**	(1,307,216)
Cash and cash equivalents at beginning of the year		**1,338,742**	2,645,958
Cash and cash equivalents at end of the year	3	**413,519**	1,338,742
Non-cash transactions:			
Additions of financial assets at fair value through profit or loss	4	**(588,961)**	(8,270,005)
Addition of financial asset at fair value through other comprehensive income	6	**(727,921)**	-
Debit balances and other assets		**-**	386,209
Disposal of investment property	8	**-**	3,214,239

* During the year the Company collected cash dividends related to shares that were pledged as a collateral for the legal case that was outstanding between the Company and governmental entities which was finally resolved in favor of the Company during 2018.

For the year ended December 31, 2018

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 All amounts are in Kuwaiti Dinars

1. INCORPORATION AND ACTIVITIES OF THE COMPANY

Kuwait International Investment Holding Company K.S.C. (Public) (Formerly: Kuwait International Investment Company K.S.C.(Public)) "the Company" is a Kuwaiti Holding Shareholding Company (Public) registered in State of Kuwait. The Company was incorporated pursuant to an Amiri Decree issued on September 22, 1973, and Memorandum of Incorporation of a Kuwaiti Shareholding Company, authenticated at the Ministry of Justice – Real Estate Registration and Authentication Department in the State of Kuwait under Ref. No. 1008/H/ Volume 2 on September 13, 1973, and its subsequent amendment in which the latest was notarized on the Company's commercial register on May 22, 2019.

The Company's activities are as follows:

1. Managing the Company's subsidiaries and participating in managing other companies in which it holds ownership stakes and providing necessary support thereto.
2. Investing funds through trading in shares, bonds and other financial securities.
3. Acquisition of properties and movables necessary to carry out business activities as allowable by the Law.
4. Financing and extending loans to investee companies and providing guarantees to third parties, provided that the ownership of the Company is not less than 20% in the lending company.
5. Acquisition of industrial rights and related intellectual properties, trademarks, industrial models, franchises and other rights, and renting such properties and rights to subsidiaries and other companies, inside State of Kuwait or abroad.

The Company has the right to carry out its activities inside the State of Kuwait or abroad whether directly or through power of attorney, the 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 the State of Kuwait or abroad. The Company has the right to establish, participate in or acquire such institutions.

The Company is registered in the commercial register under Ref. No. 19662 on November 28, 1973.

The Company's registered address is P.O. Box 22792 – Safat 13088, State of Kuwait.

The financial statements of the Company were authorized for issue by the Company's Board of Directors on July 6, 2020. The financial statements are subject to the approval of the General Assembly of the Company's shareholders. The shareholders' General Assembly has the power to amend these financial statements after issuance.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation:

The accompanying financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). Significant accounting policies are summarized as follows:

The financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Company and are prepared under the historical cost basis, except for, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income ("FVOCI"), investment property and property under development that are stated at their fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of financial statements is in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Company's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note (2 - r).

Adoption of new and revised Standards

New and amended IFRS Standards that are effective for the current year

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new International Financial Reporting Standards as of January 1, 2019:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on Lessee Accounting

Former operating leases:

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Applying IFRS 16, for all leases (except as noted below), the Company:

a) Recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments;

b) Recognizes depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and

c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of profit or loss.

Lease incentives (e.g. free rent period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

Former finance leases:

The main difference between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of residual value guarantees provided by a lessee to a lessor. IFRS 16 requires that the Company recognizes as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have a material effect on the Company's financial statements.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Financial Impact of initial application of IFRS 16

The amendment does not have any material impact on the financial statements of the Company.

Amendments to IFRS 9: Prepayment features with negative compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019. The amendments do not have any material impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Current vs non-current classification:

The Company presents assets and liabilities in the statement of financial position based on current / non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

c) Financial instruments:

The Company classifies its financial instruments as "financial assets" and "financial liabilities". Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Returns, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the statement of financial position include cash and cash equivalents, debit balances and other assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and credit balances and other liabilities.

Financial assets:

I. Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objectives and in order to generate contractual cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at FVPL. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

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

Initial recognition

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVPL.

Derecognition

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Company has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Company has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Measurement categories of financial assets

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

- Debt instruments at amortized cost.
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition.
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition.
- Financial assets at fair value through profit or loss (FVPL).

Debt instruments at amortized cost

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Interest income, foreign exchange gains and losses and impairment are recognized in the statement of income. Gain and losses are recognized in statement of profit or loss when the asset is derecognized, modified or impaired.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. In general, effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Cash and cash equivalents, debit balances and other assets are classified as debt instruments at amortized cost.

Cash and cash equivalents:

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Debit balances and other assets:

Debit balances and other assets are amounts due from customers for services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for expected credit losses.

Equity instruments at FVOCI

Upon initial recognition, the company may elect to classify irrevocably some of its equity instruments at FVOCI where they are neither held for trading nor a contingent consideration arising from a business combination. Such classification is determined on an instrument-by- instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognized in other comprehensive income and presented in the cumulative changes in fair values as part of equity. Cumulative gains and losses previously recognized in other comprehensive income are transferred to retained earnings on derecognition. Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognized in statement of profit or loss when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the statement of changes in equity.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the statement of financial position.

Financial assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI (see above) are measured at FVPL. Specifically:

- Investments in equity instruments are classified as at FVPL, unless the Company designates an equity investment as at FVTOCI on initial recognition (see above).

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see above) are classified as at FVPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Changes in fair value, gain on disposal, interest income and dividends are recorded in statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The Company classifies investments in quoted equity and debt investments under financial assets at FVPL in the statement of financial position.

II. Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For debit and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable.

For debt instruments classified at FVOCI, the Company has applied a forward looking approach wherein recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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December 31, 2019 All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In applying this forward-looking approach, the Company applies a three-stage assessment to measuring ECL as follows:

- Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk and
- Stage 2 (not credit impaired) - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low
- Stage 3 (credit impaired) - financial assets that have objective evidence of impairment at the reporting date and assessed as credit impaired when one or more events have a detrimental impact on the estimated future cash flows have occurred.

In assessing whether the credit quality on a financial instrument has deteriorated significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

'12-month expected credit losses' are recognized for Stage 1 while 'lifetime expected credit losses' are recognized for Stage 2 and 3. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. 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.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to statement of profit or loss. For debt instruments at FVOCI, the loss allowance is charged to statement of profit or loss and is recognized in OCI.

Financial liabilities:

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. All financial liabilities are subsequently measured at FVPL or at amortized cost using effective interest rate method.

Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is:

(i) contingent consideration of an acquirer in a business combination,
(ii) held for trading or
(iii) it is designated as at FVPL.

Financial liabilities at FVPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities that are not at FVPL as above are measured subsequently at amortized cost using the effective interest method.

Credit balances and other liabilities

Credit balance and other liabilities include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

A financial liability is derecognized 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 recognized in statement of profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognized in profit or loss as the modification gain or loss within other gains and losses.

d) Investment properties:

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the statement of profit or loss for the period in which they arise.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are derecognized when either they have been disposed of (i.e. at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

e) Properties under development:

Properties under development are developed for future sale in the ordinary course of business by transfer to inventory properties, rather than to be held for rental or capital appreciation and are stated at the lower of cost or net realizable value. Sold properties in the course of development are stated at cost plus attributable profit/loss less progress billings. The cost of properties under development includes the cost of land and other related expenditure which are capitalized as and when activities that are necessary to get the properties ready for sale are in progress. Net realizable value represents the estimated selling price less costs to be incurred in selling the property. The property is considered to be completed when all related activities, including the infrastructure and facilities for the entire project, have been completed.

Properties under development are valuated at the end of each period, and any change in fair value of properties under development from the carrying amount is recognized as unrealized gain or loss in the statement of profit or loss.

f) Impairment of non-financial assets:

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) End of service indemnity:

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector and employees' contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period and approximates the present value of the final obligation.

h) Dividend distribution to shareholders:

The Company recognizes a liability to make cash and non-cash distributions to shareholders of the Company when the distribution is authorized, and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders of the company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of statement of financial position.

i) Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

j) Treasury shares:

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired by the Company and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable till the holding period of treasury shares. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

k) Revenue from contract with customers:

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company applies a five step model as follows to account for revenue arising from contracts:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Company expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company exercises judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company recognizes revenue either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers. The Company transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Company's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Company's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Company considers the following factors in determining whether control of an asset has been transferred:

- The Company has a present right to payment for the asset.
- The Customer has legal title to the asset.
- The Company has transferred physical possession of the asset.
- The Customer has the significant risks and rewards of ownership of the asset.
- The Customer has accepted the asset.

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

Incremental costs of obtaining a contract with a customer are capitalized when incurred as the Company expects to recover these costs and such costs would not have incurred if the contract has not been obtained. Sales commission incurred by the Company is expensed as the amortization period of such costs is less than a year.

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue for the Company arises from the following activities:

a) Rent

Rental income is recognized, when earned, on a time apportionment basis.

l) Provisions:

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

m) Leases:

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases. The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease:

The Company as a lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee.

(i) Right of use assets

The Company recognizes right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities, The cost of right of use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

(ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

NOTES TO THE FINANCIAL STATEMENTS

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All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

n) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS):

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit of the Company before contribution to KFAS and Zakat, and after deducting the transfer to statutory reserve.

o) Contribution to Zakat:

Contribution to Zakat is calculated at 1% on the profit of the Company before contribution to Kuwait Foundation for the Advancement of Sciences, and Zakat, and after deducting the cash dividends received from Kuwaiti shareholding companies in accordance with law No. 46 for year 2006 and Ministerial resolution No. 58 for year 2007 and their executive regulations.

p) Foreign currencies:

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as FVOCI are included in "cumulative changes in fair value" in other comprehensive income, translation differences on monetary items such as debt instruments classified as FVOCI are included in statement of profit or loss.

q) Contingencies:

Contingent liabilities are not recognized in the financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 All amounts are in Kuwaiti Dinars

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

r) Critical accounting estimates and judgments:

The Company makes judgments, estimates and assumptions concerning the future. The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

A- Judgments:

In the process of applying the Company's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements.

1) Revenue recognition:

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note (2 - k) are met requires significant judgment.

2) Classification of Land:

Upon acquisition of land, the Company classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development:

When the intention of the Company is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Investment properties:

When the intention of the Company is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

3) Classification of financial assets:

On acquisition of a financial asset, the Company decides whether it should be classified as "at fair value through profit or loss", "at fair value through other comprehensive income" or "at amortized cost". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Company's business model for managing the assets of the instrument's contractual cash flow characteristics. The Company follows the guidance of IFRS 9 on classifying its financial assets and is explained in Note (2 - c).

4) Allowance for expected credit losses:

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) Leases:

- Critical judgements required in the application of IFRS 16 include, among others, the following:
- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in-substance fixed;
- Establishing whether there are multiple leases in an arrangement.
- Determining the stand-alone selling prices of lease and non-lease components

B- Estimates and assumptions:

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

1) Fair value of unquoted financial assets

If the market for a financial asset is not active or not available, the Company establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Company to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

2) Allowance for expected credit losses

The extent of allowance for expected credit losses involves estimation process. Allowance for expected credit losses is based on a forward looking ECL approach. Bad debts are written off when identified. The benchmarks for determining the amount of provision for write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.

3) Leases

Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired.

4) Valuation of investment properties and properties under development

The Company carries its investment properties and properties under development at fair value, with change in fair values being recognized in the statement of profit or loss. The fair value of investment property is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13. Investment property under construction is measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Three main methods were used to determine the fair value of the investment properties and properties under development:

(a) Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.

(b) Income approach, where the property's value is estimated based on the its income produced and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.

(c) Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition and based on the knowledge and experience of the real estate appraiser.

5) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

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3. CASH AND CASH EQUIVALENTS

	2019	2018
Cash on hand and at banks	**296,908**	1,266,473
Cash at investment portfolio	**116,611**	72,269
	413,519	1,338,742

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
Quoted securities	**21,419,829**	13,327,915
Investment portfolio	**-**	706,000
Unquoted securities	**4,225,845**	9,805,098
	25,645,674	23,839,013

The movement during the year was as follows:

	2019	2018
Balance at the beginning of the year	**23,839,013**	16,264,062
Additions *	**2,028,999**	8,270,005
Disposals **	**(2,759,320)**	-
Change in fair value (Note 16)	**2,536,982**	(695,054)
Balance at the end of the year	**25,645,674**	23,839,013

* Additions for the year ended December 31, 2019 of KD 588,961 represents the fair value of shares obtained through a swap deal with a related party against the disposal of shares held by the Company classified as fair value through profit or loss with carrying value of KD 519,625. As a result, a gain from swap of KD 69,336 was recorded in the statement of profit or loss for the year ended December 31, 2019.

** During the year the Company swapped financial assets at fair value through profit or loss carried at KD 706,000 for financial assets classified at fair value through other comprehensive income fair valued at KD 727,921 (Note 6).Thus, the Company recognized gain from swap for KD 21,921 recorded in the statement of profit and loss for the year ended December 31, 2019.

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5. DEBIT BALANCES AND OTHER ASSETS

	2019	2018
Tenants receivable (a)	**300,006**	210,306
Less: Allowance for expected credit losses	**(240,166)**	-
	59,840	210,306
Other receivables	**1,925**	23,014
Cash dividend receivable (b)	**-**	4,398,214
Staff receivables	**12,939**	4,128
Prepaid expenses *	**424,635**	421,542
Refundable deposits	**300**	300
LG margin	**47,250**	-
Others	**4,593**	482
	551,482	5,057,986

(a) Tenants receivable:
Tenants receivable is noninterest bearing and are generally due within 90 days. The aging analysis of these tenant's receivable is as follows:

		Past due			
	Less than 90 days	**91 – 180 days**	**181 – 365 days**	**Impaired**	**Total**
2019	**54,380**	**2,400**	**3,060**	**240,166**	**300,006**
2018	121,613	36,766	51,927	-	210,306

As at December 31, 2019, tenants receivable amounting to KD 5,460 (2018 - KD 88,693) were past due. These relate mainly to related parties for whom there is no recent history of default.

(b) During the year the Company collected cash dividends related to shares that were pledged as a collateral for the legal case that was outstanding between the Company and governmental entities which was finally resolved in favor of the Company during 2018.

(c) Operating leases, in which the Company is the lessor, relate to investment property owned by the Company with lease terms. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

(d) Other classes within debit balances and other assets do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. Further, the Company does not hold any collateral as security, for debit balances and other assets.

* Prepaid expenses include an amount of KD 393,748, represented by rent paid in advance up to October 22, 2020 in relation to an investment property (Note 15).

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6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
Quoted:		
Equity securities	**4,252,610**	4,408,635
Portfolios and investment funds	**3,406,007**	3,500,733
	7,658,617	7,909,368
Unquoted:		
Equity securities	**12,718,722**	6,413,243
	20,377,339	14,322,611

Movement during the year was as follows:

	2019	2018
Balance at the beginning of the year	**14,322,611**	-
Reclassified upon adoption of IFRS 9	**-**	13,580,384
Additions (a) & (b)	**6,702,198**	1,296,785
Disposals	**(432,153)**	(841,356)
Change in fair value	**(215,317)**	286,798
Balance at the end of the year	**20,377,339**	14,322,611

Financial assets at fair value through other comprehensive income includes an investment in a portfolio for a fair value of KD 3,394,894 as at December 31, 2019 (December 31, 2018 – KD 3,376,693) managed by a related party.

(a) Additions include an amount of KD 727,921 related to a swap deal as disclosed in Note 4.

(b) Additions during the year include an amount of KD 950,243 paid to acquire the full equity interest in Yotel UK Holding Limited, incorporated in England and Wales. Management accounted for the acquisition as an acquisition of an asset as the entity does not meet the definition of a business according to IFRS 3 "Business Combinations". Management of the Company estimated that the fair value of the investment at the acquisition date approximates its fair value at the financial position date.

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7. PROPERTY UNDER DEVELOPMENT

This represents the Company's 10.983% share in right of utilization of a land located in Al-Dubaiya, leased from the Ministry of Finance in State of Kuwait. The right of utilization is jointly owned by the Company and other investors through a real estate portfolio agreement. Under the agreement, the real estate is being developed by another investor, which is a company specialized in the field of real estate investments.

The movement during the year was as follows:

	2019	2018
Balance at the beginning of the year	**1,252,062**	1,274,028
Change in fair value	**-**	(21,966)
Balance at the end of the year	**1,252,062**	1,252,062

The fair value of Property under development was based on the valuations performed by accredited independent valuation valuers using recognized valuation techniques and principles.

In estimating the fair value of property under development, the valuers used the valuation techniques listed in the following schedule who considered the nature and usage of the property under development.

	2019	
Class of property under development	**Valuation technique**	**Level 2**
Land	**Comparable market prices**	**1,252,062**

	2018	
Class of property under development	Valuation technique	Level 2
Land	Comparable market prices	1,252,062

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8. INVESTMENT PROPERTY

	Commercial complexes
At December 31, 2017	4,786,964
Disposals	(3,214,239)
Change in fair value	216,745
At December 31, 2018	1,789,470
Change in fair value	-
At December 31, 2019	**1,789,470**

Investment property include 64.2% interest in a property located in Dubai - United Arab Emirates. The Company acquired the property for USD 5,898,755 (Equivalent to KD 1,791,240) pursuant to a sale and purchase agreement dated October 28, 2015 between the Company and a related party. The terms of the sale and purchase agreement specified that property's title deed will continue to be registered under the seller's name, both the buyer and the seller retain a repurchase and resale right (call and put option), which has been renewed till December 31, 2020 at an amount equal to the carrying value of the property as at December 31, 2019. The property is managed by the seller in return of 7% of the purchase price as an annual rate of return, payable to the Company every three months.

9. CREDIT BALANCES AND OTHER LIABILITIES

	2019	2018
Accrued expenses	**43,188**	9,000
Due to related parties (Note 18)	**753,997**	1,503,648
KFAS payable	**1,187,120**	1,150,565
Zakat payable	**189,378**	186,387
Other payables	**307,222**	356,183
	2,480,905	3,205,783

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10. SHARE CAPITAL

Authorized, capital consists of 21,462,550 shares of 100 fils each (2018 – 21,462,550 shares of 100 fils each), all are in cash. The Company's capital is presented as follows:

	2019	2018
Authorized capital	**2,146,255**	2,146,255
Issue of bonus shares	**573,128**	-
Unpaid capital	**(1,000,000)**	(1,000,000)
Paid up capital	**1,719,383**	1,146,255

Pursuant to memorandum No. 3/25 issued by the Department of Shareholding Companies dated May 22, 2019, based on the Extraordinary General Assembly meeting held on October 6, 2016 and the Board of Directors meeting held on April 29, 2019, it was approved to increase the issued and paid up share capital of the Company from KD 1,146,255 (represented by 11,462,550 shares of 100 fils each) to KD 1,719,383 (represented by 17,193,830 shares of 100 fils each) through the distribution of bonus shares to current shareholders registered in the Company's records. Accordingly, Article No. 6 of the Memorandum of Incorporation and Article No. 5 of the Articles of Association are amended as follows:

Article before amendment

The Company's authorized share capital is determined at KD 2,146,255 (Two Million One Hundred Forty Six Thousand & Two Hundred Fifty Five Kuwaiti Dinar), and issued and paid up share capital at KD 1,146,255 (One Million One Hundred Forty Six Thousand & Two Hundred Fifty Five Kuwaiti Dinar) the value of each share is 100 fils and all shares are in cash.

Article after amendment

The Company's authorized capital is determined at KD 2,146,255 (Two Million One Hundred Forty Six Thousand &Two Hundred Fifty Five Kuwaiti Dinar), distributed among 21,462,550 shares, 100 fils each and all shares are in cash, and the issued and paid up capital is determined at KD 1,719,383 (One Million Seven Hundred Nineteen Thousand & Three Hundred Eighty Three Kuwaiti Dinar) distributed among 17,193,830 shares, 100 fils each and all shares are in cash.

This amendment was registered in the Company's Commercial Register at the Ministry of Commerce and Industry on May 22, 2019.

11. DIVIDEND DISTRIBUTION

The Board of Directors' meeting held on July 6, 2020 recommended cash dividends of 20 fils per share and to pay the Board of Directors an amount of KD 40,000 as remuneration for the year ended December 31, 2019. These recommendations are subject to the approval of the Shareholders' Annual General Assembly.

The Board of Directors' meeting held on July 6, 2020 proposed to issue bonus shares of 50% of issued and paid up capital. This recommendation is subject to the approval of the Shareholders' Annual General Assembly.

The Company's General Assembly meeting held on April 23, 2019 approved the financial statement of the Company for the year ended December 31, 2018, and distribution of dividends at 20% from the shares' par value (20 fils per share), amounting to KD 227,793 and to pay the board of directors an amount of KD 80,000 as remuneration for the year ended December 31, 2018 (Note 18).

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12. STATUTORY RESERVE

As required by the Companies Law and the Company's Memorandum of Incorporation and Articles of Association, 10% of the profit for the year attributable to shareholders of the Company before contributions to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors` remuneration is transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except in cases stipulated by the Companies Law and the Company's Articles of Association. Since the statutory reserve exceeds 50% of the Company's issued capital, the Board of Directors in its meeting held on July 6, 2020, resolved to cease any transfer to the statutory reserve, such resolution is subject to the approval of the Annual General Meeting upon its session.

13. VOLUNTARY RESERVE

As required by the Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Company before contributions to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors` remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors. The board of Directors in its meeting held on July 6, 2020, resolved to cease any transfer to the voluntary reserve, such resolution is subject to the approval of the Annual General Meeting upon its session.

14. TREASURY SHARES

	2019	2018
Number of shares	**107,298**	71,533
Cost	**13,399**	13,399
Percentage to issued shares (%)	**0.62%**	0.62%

15. RENTAL INCOME

Rental income includes amount of KD 1,488,942 (2018: KD 1,458,234) arose from managing an investment property, constructed on a leased land pursuant to an agreement with the Ministry of Finance – State Property Management Department, for a fixed annual consideration payable to the Ministry. The agreement expired on October 22, 2010, however the Company paid the rent in advance for utilizing the investment property up to October 22, 2020 (Note 5), in accordance with the original agreement signed with the Ministry of Finance - State Property Management Department. The Company continues to manage the property pending renewal of the agreement.

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16. NET INVESTMENTS INCOME

	2019	2018
Unrealized gain (loss) from changes in fair value of financial assets at fair value through profit or loss (Note 4)	**2,536,982**	(695,054)
Realized gain on sale of financial assets at fair value through profit or loss	**110,873**	25,618
Dividend income	**862,706**	672,343
	3,510,561	2,907

17. BASIC AND DILUTED EARNINGS PER SHARE

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings per share based on the weighted average number of shares outstanding during the year after deducting treasury shares is as follows:

	2019	2018
Profit for the year	**3,585,428**	35,421,291
Outstanding shares:		
Weighted average number of issued shares (share)	**11,462,550**	11,462,550
Bonus shares	**5,731,280**	5,731,280
Weighted average number of treasury shares (share)	**(107,298)**	(107,298)
Weighted average number of outstanding shares	**17,086,532**	17,086,532
Basic and diluted earnings per share (Fils)	**210**	2,073

Basic earnings per share for the year ended December 31, 2018 was 3,110 fils before restatement for the issue of bonus shares.

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18. RELATED PARTIES' DISCLOSURES

The Company has entered into various transactions with related parties, i.e. shareholders and other related parties. Prices and terms of payment are approved by the Company's management. Significant related party transactions and balances are as follows:

			Total	
Balances included in the statement of financial position:	**shareholders**	**Other related parties**	**2019**	2018
Financial assets at fair value through profit or loss	**15,076,034**	**-**	**15,076,034**	6,809,027
Investment property	**-**	**1,789,470**	**1,789,470**	1,789,470
Debit balances and other assets	**-**	**240,166**	**240,166**	1,414,823
Credit balances and other liabilities (Note 9)	**(668,836)**	**(85,161)**	**(753,997)**	(1,503,648)
Financial assets at fair value through other comprehensive income	**3,394,894**	**950,243**	**4,345,137**	3,376,693
Transactions included in the statement of profit or loss:				
Net investments income (loss)	**8,267,007**	**-**	**8,267,007**	(74,354)
Rental income	**-**	**125,365**	**125,365**	188,474
Rental cost	**(145,000)**	**-**	**(145,000)**	(145,000)
Professional fees	**(282,859)**	**-**	**(282,859)**	(2,662,365)
General and administrative expense (Note 11)	**-**	**(80,000)**	**(80,000)**	-
Gain on disposal of investment property	**-**	**-**	**-**	4,669,557

19. LEGAL CLAIMS

There are certain lawsuits raised by / against the Company, the results of which cannot be assessed till being finally cleared by the court. In the opinion of the Company's management and legal counsel, there will be no material adverse impact on the Company's financial statements, and hence, no additional provisions were recorded in the Company's records due to the sufficiency of the currently recorded provisions for those claims as of the financial statements date.

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20. FINANCIAL RISK MANAGEMENT

In the normal course of business, the Company uses primary financial instruments such as cash and cash equivalents, debit balances and other assets, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and credit balances and other liabilities and as a result, it is exposed to the risks indicated below. The Company currently does not use derivative financial instruments to manage its exposure to these risks.

Interest rate risk:

Financial instruments are subject to the risk of changes in value due to changes in the level of interest for its financial assets liabilities carrying floating interest rates. The Company is not currently exposed significantly to such risk.

Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Company to credit risk consist principally of cash at banks and receivables. Receivables are presented net of allowance for expected credit losses. Credit risk with respect to receivables is limited due to the large number of customers and their dispersion across different industries.

Foreign currency risk:

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Company incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Company may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Company ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between other currencies and Kuwaiti Dinar:

	2019		
	Increase / (Decrease) against Kuwaiti Dinar	**Effect on statement of profit or loss**	**Effect on profit or loss and other comprehensive income**
US Dollar	**± 5%**	**±213,296**	**±196,132**
Bahraini Dinar	**± 5%**	**±22,631**	**-**
Jordanian Dinar	**± 5%**	**±25,846**	**-**
British Pound	**± 5%**	**-**	**±9,238**
Euro	**± 5%**	**-**	**±159,702**
Emirates Dirham	**± 5%**	**±46**	**±122,120**

	2018		
	Increase / (Decrease) against Kuwaiti Dinar	Effect on statement of profit or loss	Effect on profit or loss and other comprehensive income
US Dollar			
Bahraini Dinar	± 5%	±525,518	± 132,553
Jordanian Dinar	± 5%	±17,929	-
British Pound	± 5%	±29,278	-
Emirates Dirham	± 5%	-	±17,088
	± 5%	-	±25,000

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Company periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable, along with planning and managing the Company's forecasted cash flows by maintaining adequate cash reserves, and matching the maturity profiles of financial assets and liabilities.

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

2019	**1 month**	**1-3 months**	**3-12 months**	**1 - 5 years**	**Total**
ASSETS					
Cash and cash equivalents	**413,519**	-	-	-	**413,519**
Financial assets at fair value through profit or loss	-	-	**25,645,674**	-	**25,645,674**
Debit balances and other assets	-	-	**551,482**	-	**551,482**
Financial assets at fair value through other comprehensive income	-	-	-	**20,377,339**	**20,377,339**
Property under development	-	-	-	**1,252,062**	**1,252,062**
Investment property	-	-	-	**1,789,470**	**1,789,470**
Total assets	**413,519**	-	**26,197,156**	**23,418,871**	**50,029,546**
LIABILITIES:					
Credit balances and other liabilities	-	-	**2,480,905**	-	**2,480,905**
Provision for end of service indemnity	-	-	-	**100,707**	**100,707**
Total liabilities	-	-	**2,480,905**	**100,707**	**2,581,612**

2018	1 month	1-3 months	3-12 months	1 - 5 years	Total
ASSETS					
Cash and cash equivalents	1,338,742	-	-	-	1,338,742
Financial assets at fair value through profit or loss	-	-	23,839,013	-	23,839,013
Debit balances and other assets	-	-	5,057,986	-	5,057,986
Financial assets at fair value through other comprehensive income	-	-	-	14,322,611	14,322,611
Property under development	-	-	-	1,252,062	1,252,062
Investment property	-	-	-	1,789,470	1,789,470
Total assets	1,338,742	-	28,896,999	17,364,143	47,599,884
LIABILITIES:					
Credit balances and other liabilities	-	-	3,205,783	-	3,205,783
Provision for end of service indemnity	-	-	-	93,231	93,231
Total liabilities	-	-	3,205,783	93,231	3,299,014

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20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity price risk:

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment in equity securities classified as "at fair value through profit or loss" and "at fair value through other comprehensive income". To manage such risks, the Company diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Company had significant exposure as of the reporting date:

	2019		
Market indices	**Change in equity instrument price**	**Effect on statement of profit or loss**	**Effect on statement of profit or loss and other comprehensive income**
Kuwait Stock Exchange	**±5%**	**±1,019,451**	**±212,631**
Bahrain Stock Exchange	**±5%**	**±25,648**	**-**
Jordan Stock Exchange	**±5%**	**±25,846**	**-**
Dubai Stock Exchange	**±5%**	**±47**	**-**

	2018		
Market indices	Change in equity instrument price	Effect on statement of profit or loss	Effect on statement of profit or loss and other comprehensive income
Kuwait Stock Exchange	±5%	±616,431	±220,431
Bahrain Stock Exchange	±5%	±20,686	-
Jordan Stock Exchange	±5%	±29,278	-
			-

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21. FAIR VALUE MEASUREMENT

Company measures financial assets such as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income and non-financial assets such as property under development and investment property at fair value at each reporting date.

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

	2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**21,419,829**	**16,175**	**4,209,670**	**25,645,674**
Financial assets at fair value through other comprehensive income	**4,252,610**	**3,406,007**	**12,718,722**	**20,377,339**
	25,672,439	**3,422,182**	**16,928,392**	**46,023,013**

	2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	13,327,915	24,782	10,486,316	23,839,013
Financial assets at fair value through other comprehensive income	4,408,635	3,500,733	6,413,243	14,322,611
	17,736,550	3,525,515	16,899,559	38,161,624

The fair value details of property under development is mentioned in Note (7).

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21. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the verification of opening and ending balances of the financial assets included in level 3, measured at fair value:

	January 1, 2019	**Additions**	**Disposals**	**Change in fair value**	**December 31, 2019**
Financial assets at fair value through profit or loss	**10,486,316**	**-**	**(706,000)**	**(5,570,646)**	**4,209,670**
Financial assets at fair value through other comprehensive income	**6,413,243**	**6,692,360**	**-**	**(386,881)**	**12,718,722**

	January 1, 2017	Additions	Disposals	(Loss) gain recognized in the statement of profit or loss and other comprehensive income	Transferred to level 2 / level 3	December 31, 2018
Financial assets at fair value through profit or loss	2,715,749	8,270,005	-	(474,656)	(24,782)	10,486,316
Financial assets at fair value through other comprehensive income	2,562,393	1,269,669	(613,268)	255,469	2,938,980	6,413,243

At December 31, the fair values of financial instruments approximate their carrying amounts. The management of the Company has assessed that fair value of its financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

All amounts are in Kuwaiti Dinars

22. CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital resources are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital resources structure to reduce the cost of capital.

In order to maintain or adjust the capital resources structure, the Company may adjust the amount of dividends distributions paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

23. SUBSEQUENT EVENTS

Subsequent to the financial statements date, as a result of the significant events arising from the emergence and spread of COVID-19, these events have affected the global economic climate, and accordingly, the Company might be exposed to various risks including reduction in revenues and in business growth, fluctuations in foreign exchange rates, increase in expected credit losses and decrease in assets value, which is mainly driven from the slowdown in most operating sectors.

As at December 31, 2019, these events have no impact on the Company's financial statements, but they may affect the financial statements in future financial periods. At this point of time, it is difficult to quantify this effect due to the lack of clarity on the expected extent and the period of time that will pass before the pandemic is brought under control.