AMWAL أمـــــوال

Amwal International Investment Company

Annual Report 2018

بسم الله الرحمن الرحيم

H.H. Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

H.H. Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince

H.H. Sheikh
Jaber Mubarak Al-Ahmad Al-Sabah
Prime Minister

Board of Directors

Bader Al Rezaihan	Chairman
Fawad Tariq Khan	Vice Chairman
Ali Arsalan Khan	Board member
Khaleefah Al Mheiri	Board member
Oliver James Lee	Board member
Adil Mustafa Abrar	Board member
Abdullah Kaladari	Board member

بـدر فـهـد عبدالله الـرزيحـان

رئيس مجـلس الإدارة

Chairman's Speech

Esteemed ladies and gentlemen, Shareholders of Amwal International Investment Company,

I welcome you to Amwal International Investment Company's ("Amwal's" or the "Company's") annual general assembly meeting for the financial year ended December 31, 2018. On behalf of myself, my colleagues on the Board of Directors, executive management and employees of the Company, I have the pleasure of presenting to you the consolidated financial statements for Amwal and the review for the Company's performance for the year. I would like to express my sincere appreciation and gratitude to all our valued shareholders for their continuous support for the Company and its Board of Directors.

Esteemed Shareholders,

2018 was a successful year and eventful year for Amwal and for its shareholders.

The Company continued its focused strategy to grow its electronic trading and brokerage platform through its subsidiary, Noor Capital Markets ("Noor"). During the year, Amwal also successfully managed to reorganize Al-Shamel International ("Al-Shamel") to achieve profitability with a more stable customer base.

Notably, during the second half of the year, SHUAA Capital psc, one of Amwal's major shareholder, completed its voluntary acquisition offer of the Company, becoming the largest shareholder in Amwal.

The financial results for 2018 was a result of Amwal's disciplined approach to managing our resources, actively working with our partner companies and a continued reinvestment of capital towards growth. Amwal's overall growth in revenue over the previous year was driven by higher trading and brokerage volume and an underlying recovery in our travel management business. Our operating cost base remained relatively stable for the year 2018, reflecting a disciplined approach to managing our expenses.

Noor Capital Markets for Financial Brokerage Company

Noor, a majority owned subsidiary of Amwal, provides online trading platform to its customers – both individuals and corporates – with a particular focus on Kuwait, Turkey and Jordan. The Company enables its customers to access to a wide range of products including futures, commodities, indices and foreign exchange instruments through separate trading accounts.

Noor's revenues and net profit were both higher for the year 2018, compared to the prior year as a result of higher trading volumes. During the year, Noor expanded its regional footprint in Jordan through the acquisition of Noor Al Mal, a fully owned subsidiary regulated by the Jordan Securities Commission.

Noor's total revenue for the year amounted to KD 4.6 million, an increase of 7% over the previous year, while net profit amounted to KD 1.8 million, also a 5% increase compared to the prior year. Noor declared dividends of KD 0.6 million for the financial year.

We remain strongly optimistic of Noor's future performance due to its potential for regional expansion and its track record of generating growth and liquidity for Amwal. We expect new markets to be a key driver of future growth and will also seek opportunistic acquisitions that are accretive to our earnings.

Al-Shamel International Holding Company

Al Shamel is one of the leading regional travel management company specializing in corporate, military, government and luxury travel segments.

During the year, Amwal also worked with Al-Shamel International ("Al-Shamel") management to successfully realign the business and achieve profitability in its core business.

Revenue and net income for the year was KD 1.7 million and KD 0.3 million, respectively, compared to revenue of K.D 2 million and a net loss of K.D 1.3 million in the previous year.

Dubai Golf City ("DGC")

Amwal maintained its 4.4% holding in DGC, a 55 million square feet multi-purpose real estate project under development. Amwal monitor the investment and seek various exit options for this investment.

Esteemed Shareholders,

At the end of 2018, our consolidated total assets amounted to KD 25.3 million, an increase of 2.4% over the previous year. This increase is primarily attributed to the goodwill arising on our acquisition in Jordan, as mentioned above, and increased cash generated during the year. Our consolidated liabilities remain at 3.3% of total assets.

Our consolidated income amounted to KD 4.7 million, increasing by 30.9% compared to the prior year. Amwal's consolidated net profit for the year amounted to KD 1.5 million, an increase of 161.8% over the prior year. This increase is due to higher volume relating to our trading and brokerage business; significant improvement in our travel management business and dividend income from our investment portfolio.

Net income for the year attributed to the shareholders of Amwal amounted to KD 0.6 million, equivalent to a profit per share of 3.37 Fils, compared to an earnings per share loss of 0.09 Fils in the prior year.

Esteemed Shareholders,

In line with our strategy, our focus remains on the growth of our underlying portfolio companies and seeking attractive exits where possible to drive strong shareholder returns. We believe that such focus will generate continued improvement in Amwal's financial performance.

In conclusion, I wish to thank you once again for your trust and continuous support for Amwal.

Bader Fahad Abdullah Al-Rezaihan

Chairman

Amwal International Investment Company

Contents

Corporate Governance Report

AMWAL أمـــــوال

Rule One: Construct a Balanced Board Composition

Name	Member classification (executive/non-executive /independent)	Academic qualification and practical experience	Election date/appointment of secretary
Mr Bader Fahed Al Rezaihan	Chairman (non-executive)	Academic Qualifications: Master of Business Administration, University of Woodbury, USA. Experience: - Chairman of Amwal International Investment Company from 14.11.2005 to date. - Chairman of Noor Capital Markets Financial Brokerage from 19.02.2014 to date. - Served as Chairman and CEO of the CIC Group from 05.11.1995 until 10.2005. - Chairman of Mawarid general trading and contracting company from 30.08.2005 to date - Vice Chairman of National Takaful Insurance Company from 9.05.2016 to date.	20.11.2015

AMWAL | أمـــــوال

Mr. Mansour Salem Al Nassar	Deputy chairman (non-executive)	Academic Qualifications: Bachelor of Arts in Geography, Kuwait University. Experience: - Vice Chairman of Amwal International Investment Company from 10.3.2015 to date. He also served as a Board member at Amwal from 14.11.2005 to 9.3.2015. - Served as a Board member at Industrial and Financial Investments Company from 18.06.2001 till 2004.	20.11.2015
Mr. Bader Abdulaziz Abul	Board member (Independent member)	Academic qualification: Masters Degree in Business Management and Strategy, from Kuwait Maastricht Business School - Kuwait. Experience: - Board member at Amwal International Investment Company from 14.11.2005 to date. - Served as General Manager of Abdul Aziz Ali Abul General Trading and Contracting Company from 02.08.1999 to date	20.11.2015
Mr. Thenyyan Adel Al Muawad	Board member (Independent member)	Academic qualification: Bachelor of Science in Business Administration, Information Systems Major, University of Ohio State, USA Experience: - Board member at Amwal International Investment Company from 15.1.2015 up to date. - Serves as Assistant Vice Chairman – Financial services and facilities at Gulf Investment Corporation, from 1.6.2005 up to date	20.11.2015

Mr. Abdulmohsen Saleh Al Tukhaim	Board member (non-executive)	Academic qualification: Diploma of Applied Commercial Sciences, Banking Specialisation, Public Authority for Applied Education & Training – State of Kuwait Experience: - Board member at Amwal International Investment Company from 2008 to 2009, and from 29.11.2015 to date. - Served as banking sales and services manager, Bank of Kuwait and the Middle East "Al Ahli United Bank currently" from 3.3.2002 to 2.12.2008	20.11.2015
Mr. Mohamed Abdulaziz Al Aqeel	Board member (non-executive)	Academic qualification: Bachelor of Science, Systems Engineering Major, King Fahed Petroleum and Minerals University, Kingdom of Saudi Arabia Experience: - Board member of Amwal International Investment Company from 5.7.2012 to date - Served as chief executive officer for operations, Al Fawzan Holding Company, from 8.5.2004 to date	20.11.2015

Mr. Ziyad Fouad Al Saleh	Board member (non-executive)	Academic qualification: Masters in business administration, International University of Geneva, Switzerland. Experience : - Board member at Amwal International Investment Company from 20.6.2010 up to date - Served as a Board member at Abdulqader Al Mohaidab & Sons Company, from 4.7.2009 to date. - Senior Manager - Public and Private Investments, Abdulqader Al Muhaidab & Sons Company, from 23.10.2004 to date.	20.11.2015

Name	Member classification (executive/non-executive /independent)	Academic qualification and practical experience	Election date/appointment of secretary
Mr. Fawad Tariq Khan	Vice Chairman (Non-Executive)	Academic qualification: Master's Degree – Commercial Sturdies – Durbin Smurfit Gradate School – Ireland Experience: - Vice Chairman of Amwal International Investment Company from 12.12.2018 to date. - Board member of Amwal International Investment Company from 24.1.2018 to date - Board member of Noor Capital Markets from 17.10.2018 to date - Chief Executive Officer of Shuaa Capital from 1.1.2018 to date - General Manager of Shuaa Capital from 1.6.2017 to 31.12.2017 - Director at Abu Dhabi Financial Group from 16.3.2014 to 31.5.2017 - Associate Director at Deloitte Corporate Finance – Untied Arb Emirates from 1.7.2010 to 31.3.2014 - Consultant at Deloitte LLP – United Kingdom from 20.9.2006 to 1.6.2010	24.1.2018
Mr. Ali Tariq Arsalan	Board member (Non-Executive)	Academic qualification: Master's Degree in International Banking Loughborough University – United Kingdom Experience: - Board member of Amwal International Investment Company from 12.12.2018 to date - Director Principle Investments at Shuaa Capital from 16.1.2018 to date - Associate Director at Deloitte Corporate Finance Advisory LTD – United Arab Emirates from 3.10.2010 to 31.12.2017 - Officer – Private Equity at Manara Equity Partners 2.12.2007 to 29.9.2010 - Manager – Islamic Services Group at Ernest & Young – Kingdome of Bahrain from 29.9.2005 to 29.11.2007	12.12.2018

Mr. Khaleefah Al Mheiri	Board member (Non-executive)	Academic qualification: Bachelor's Degree in Chemical Engineering Wisconsin University – United Stated of America Experience: - Board member of Amwal International Investment Company from 12.12.2018 to date - Director Entity Development at Shuaa Capital from 4.9.2018 to date - Director – Private Projects at Abu Dhabi Financial Group – United Arab Emirates from 1.2.2007 to 5.10.2017 - Vice President Assets Development in Burouge Limited from 1.6.2008 to 31.1.2017 -	12.12.2018
Mr. Adil Mustafa Abarar	Board member (Non-Executive)	Academic qualification: Bachelor's Degree in Commerce – Karachi University – Karachi Experience: - Board member of Amwal International Investment Company from 12.12.2018 to date - Head of Finance at Shuaa Capital from 2.2.2011 to date - Assistant Manager at Ernest & Young – United Arab Emirates from, 5.10.2008 to 27.1.2011 - Manager at Ernest & Young Ford Rhodes Hyder – Pakistan from 21.5.2002 to 30.9.2008	12.12.2018

Mr. Abdullah Zaid Kaladari	Board member (Independent)	Academic qualification: Bachelor's Degree in Law from Westminster University – United Kingdom Experience: - Board member of Amwal International Investment Company from 12.12.2018 to date - Lawyer and Partner in Kaladari Legal Consultants Firm – United Arab Emirates from 1.6.2009 to date	12.12.2018
Mrs. Suha Maaen Al Atassi	Board secretary	Academic qualification: Secretariat Diploma, Pitman Secretarial & Commercial Studies Institute, State of Kuwait. Experience: - Board secretary from 1.7.2012 up to date - Chairman's office manager, Amwal International Investment Company, from 26.11.2006 to date. - Served as executive secretary, Safat Food and Catering Company, 10.1.1993 to November 2006. - Served as executive secretary, Kuwait Scientific Research Institute, 1987 to 1993.	29.11.2015

Name	Capacity	Board meetings								
		Meeting 1	Meeting 2	Meeting 3	Meeting 4	Meeting 5	Meeting 6	Meeting 7	Meeting 8	Meeting 9
		28/1/2018	12/3/2018	26/3/2018	13/5/2018	15/5/2018	23/7/2018	8/8/2018	4/10/2018	8/11/2018
Mr. Bader Al Rezaihan	Chairman (Non-Executive)	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr. Mansour Al Nassar	Vice Chairman (Non-Executive)	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr. Ziad Al Saleh	Board member (Non-Executive)	X	X	X	✔	X	✔	X	✔	X
Mr. Bader Abul	Board member (Independent)	✔	✔	✔	✔	✔	✔	✔	✔	✔
Mr. Mohammed Al Aqeel	Board member (Non-Executive)	✔	✔	X	✔	✔	X	✔	✔	X
Mr. Fawad T. Khan	Board member (Non-Executive)		✔	✔	✔	✔	X	X	✔	X
Mr. Abdul Mohsen Al Tukahim	Board member (Non-Executive)	✔								
Mr. Thenayyan Al Mawad	Board member (Independent)	✔	✔	✔	✔	✔	✔	X	✔	✔

- Al Diwan replaced its representative Mr. Abdul Mohsen Al Tukhiam by Mr. Fawad Tariq Khan on 24/1/2018

- Total number of Board meetings during he year: 10 meetings

- A new slate of Board members was elected on 12 December 2018. The below table shows the attendance of the 10th Board meeting:

Board member name	Capacity	Board meeting 10
		12/12/2018
Mr. Bader Al Rezaihan	Chairman (Non-Executive)	?
Mr. Fawad T. Khan	Vice Chairman (Non-Executive)	?
Ali Tariq Arsalan	Board member (Non-Executive)	?
Oliver James Lee	Board member (Non-Executive)	X
Khleefah Al Mheiri	Board member (Non-Executive)	?
Adil Mustafa Abrar	Board member (Non-Executive)	?
Abdullah Kaladari	Board member (Independent)	?

- **Implementing the requirements regarding the recording and organization of Board meetings**

  All Board meetings are documented by the Board secretary, whereby all discussions and topics are recorded according to the agenda previously communicated to the Board. Further, all Board member views and objections (if any) are recorded in the minutes of meeting.

  Draft minutes are prepared upon meeting completion by the Board secretary, forwarded to all Board members by email for revision and approval. After obtaining approval (including amendments – if any) the minutes are printed on Company letterhead and forwarded to all Board members for signature. The Board secretary keeps all Board meeting minutes in the custody cabinet. These documents are only accessed with the approval and consent of the Board secretary.

- **Organizing Board meetings**

  The Board of Directors are invited to meet at the request of the Chairman through the Board Secretary. The meeting agenda in addition to any relevant documents are forwarded to the board members before the meeting enabling the members to review the topics raised and the relevant documents.

Rule Two: Establish Appropriate Roles and Responsibilities

The Company's Articles of Association stipulates the powers and authorities of the Board of Directors (the Board has the widest authorities to manage the Company, except as determined by the law, Articles of association or general assembly). The powers and responsibilities are delegated to the Board according to the following:

- Company Articles of Association
- 15th Book of the Capital Markets Authority Bylaws (Corporate Governance)
- Law No.1 of 2016 (Companies Law)

Further, the Board of Directors and its committees' charters have been developed and approved pursuant to the above instructions and laws, which illustrate the charters and authorities of the Board of Directors members and its committees.

As for the authorities of Executive Management, the Board of Directors appointed a Chief Executive Officer (registered with the Capital Markets Authority) who undertakes the day to day management of the Company.

Authorities delegated to Executive Management commensurate the Company's business and operational activities in order to achieve the objectives and strategies of the Company and direct the business. In addition to evaluating the extent of significance of such authorities to the daily management of business.

In addition to the above, the Board of Directors approved an authority matrix (including both financial and administrative authorities). It illustrates the authorities of the Board of Directors and Executive Management. These authorities are reviewed (annually) for business requirements.

- **Board achievements during the year (Board elected from November 2015 to November 2018)**

  - One of the most significant achievements of the Board is the completion of the Voluntary Acquisition Offer of the Company's shares presented from Shuaa Capital. The Board reviewed the Offer ensuring the protection of the shareholders, whereby Shuaa Capital acquired 87.218% of the Company's capital share.
  - The development of the Company's internal control systems which positively reflected on the Company's operations and activities.
  - Development and approval of a corporate governance framework achieving the following objectives:
    - Compliance with all regulatory and legal requirements.

- Enhancing the tools and means of control and supervision by the Board and its committees on the Company's operations and activities.

- Developing skills and experiences of the Board of Directors and Executive Management to undertake the tasks with high efficiency and effectiveness.

- **Formation of Board committees**

Rule Book 15 of the Capital Markets Authority bylaws mandate the formation of Board committees. Accordingly, the Board formed three committees that possess independence and objectivity assisting the Board in its oversight role over the Company's business and activities as follows:

First: Audit Committee

The Audit Committee was formed on 29th November 2015. The Committee's tenure is three years. A charter governing the following areas was developed and approved:

1- Committee duties and responsibilities

2- Committee formation and minimum number of meetings

3- Mandated qualifications of Committee members

4- Authorities of the Committee

Committee Members from November 2015 to 11 December 2018:

Mr. Bader Abul- Independent Member – Committee chairman

Mr. Thenyyan Al Muawad – Independent Member – Committee member

Mr. Abdulmohsen Al Tukhaim – Non Executive Member – Committee member

Committee Members from 12 December 2018:

Mr. Abdullah Kaladari – Independent Member – Committee chairman

Mr. Oliver James Lee – Non Executive Member – Committee member

Mr. Adil Mustafa Abrar – Non Executive Member – Committee member

Committee duties and achievements during 2018:

- Review the Company's interim and annual financial statements and discuss them with the external auditor along with recommending approval of the financial statements to the Board of Directors.

- Discuss the reports issued by the internal auditor.

- Review of the Company's Internal Control Assessment report along with and following up on the corrective measures implemented by the Executive Management.

Number of the Committee meetings during 2018:

The Committee met five times during the year.

Second: Risk Management Committee

The Committee was formed on 29th November 2015. The Committee's tenure is three years. A charter governing the following areas was developed and approved:

1- Committee duties and responsibilities

2- Committee formation and minimum number of meetings

3- Mandated qualifications of Committee members

4- Authorities of the Committee

Committee members from November 2015 to 11 December 2018:

Mr. Thenyyan Al Muawad – Independent Member – Committee member

Mr. Mansour Al Nassar – Non Executive Member – Committee member

Mr. Abdulmohsen Al Tukhaim – Non Executive Member – Committee member

Committee members from 12 December 2018:

Mr. Abdullah Kaladari – Independent Member – Committee chairman

Mr. Oliver James Lee – Non-Executive Member – Committee member

Mr. Khleefah Al Mheiri – Non-Executive Member – Committee member

Committee duties and achievements in 2018:

- Review of the implemented policies and procedures within the Company and ensuring its fulfilment of regulatory requirements
- Assist the Board of Directors to implement and develop the corporate governance framework through the review of all Board of Directors and its committees' charters

- Supervise the duties and activities of the compliance department, in addition to reviewing reports submitted by Compliance along with following up on the implementation of the corrective actions for the observations raised.

Number of the Committee meetings during 2018:

The Committee met four times during the year.

Third Nominations and Remunerations Committee

The Committee was formed on 29th November 2015. The Committee's tenure is three years. A charter governing the following areas was developed and approved:

1- Committee duties and responsibilities

2- Committee formation and minimum number of meetings

3- Mandated qualifications of Committee members

4- Authorities of the Committee

Committee Members from November 2015 to 11 December 2018:

Mr. Bader Al Rezaihan – Non-Executive Member – Committee chairman

Mr. Mansour Al Nassar- Non-Executive Member – Committee member

Mr. Thenyyan Al Muawad – Independent Member – Committee member

Mr. Abdulmohsen Al Tukhaim – Non Executive Member – Committee member

Committee Members from 12 December 2018:

Mr. Fawad Tariq Khan – Non Executive Member – Committee Chairman

Mr. Abdullah Kaladari – Independent Member – Committee member

Mr. Khleefah Al Mheiri – Non-Executive Member – Committee member

Committee duties and achievements in 2018:

The Committee's most significant achievements and duties include the following;

- Review of staff remuneration policies and recommendation to the Board of Directors for approval

- Draft the Board remunerations policy for Board recommendation and General Assembly approval.

- Review credentials of executive posts of candidates and of the Chief Executive Officer before submitting the nomination applications to the Capital Markets Authority.

Number of the Committee Meetings in 2018

The Committee met three times during the year.

Board access to information, documents and records

The Board of Directors (and its committees) have the authority to access any document, information and data of the Company without restriction. The Board possesses the highest authority within the Company after the shareholders, according to the Articles of Association, the board of directors and its committee's charters, in addition to the instructions of the Capital Markets Authority and the Companies Law.

Rule Three: Recruit highly qualified candidates for members of a board of directors and the executive management

- **Formation of the Nomination and Remuneration Committee**

  The Company formed the Nominations and Remunerations Committee in 2015. The Committee consists of four Board members including an independent Board member. Duties and responsibilities are outlined in accordance with the requirements of the Capital Markets Authority. Among the most significant terms of reference of the Committee are the following:

  - Documenting a clear policy for Board members, senior executives and Company personnel's remunerations and reviewing it annually.
  - Ensuring remunerations are awarded as per documented policies.
  - Prepare an annual report on the remunerations awarded to Board members and Executive Management. This report is presented for approval by the Company's General Assembly.
  - Determination of the remunerations awarded to the Board of Directors and Executive Management members.

Remunerations awarded to Board of Directors and Executive Management:

- Remunerations awarded to the Board of Directors amounting to KD 52,348 (paid in 2018)
- Remunerations awarded to Executive Management amounting to KD 107,581 (paid in 2018)

Nominations and Remunerations Committee report

The Nominations and Remunerations Committee report illustrates the remunerations awarded to both the Board of Directors and Executive Management.

Rule Four: Safeguard the integrity of financial reporting

Audit Committee Formation

The Audit Committee consists of one independent member according to the instructions of the Capital Markets Authority issued in this respect.

Conflicts of interest

The Audit Committee met five times during 2018, which includes meetings with the external auditor and internal auditor during the year to discuss the reports issued by them. In the case of any conflicting recommendations between and the Audit Committee and Board such cases are documented as per the Board charter.

During the five meetings held by the Committee and the Board meetings, there were no conflicts between the Committee recommendations and the Board decisions. Further, the Board of Directors charter stipulates the documentation of any conflicts (if any) between the Audit Committee decisions and Board decisions.

Written declarations regarding the integrity of the financial statements

The Board of Directors and Executive Management have both presented written declarations regarding the integrity of the prepared financial statements.

External auditor independence and objectivity

The external auditor enjoys complete independence and objectivity, whereby the Company's external auditor is appointed by the General Assembly pursuant to the recommendation of the board of directors. Further, the external auditor is entitled access to the Audit Committee and/or Board of Directors without the Executive Management's intervention.

Rule Five: Apply sound systems of risk management and internal audit

Formation of an independent risk management function/unit/department

A risk officer has been appointed in the Company (registered with the Capital Markets Authority.) The risk officer enjoys independence whereby the officer reports directly to the Board Risk Committee.

Formation of a Risk Management committee

The Risk Committee includes an independent member according to the instructions of the Capital Markets Authority.

The Risk Management Committee met four times in 2018. Further, a Risk Management charter was been documented and approved. The charter outlines and includes the responsibilities of meeting with the external and internal auditor during the year to discuss the reports issued by them.

Risk management and internal control systems

The Risk Management Committee prepared and implemented several fundamental elements ensuring the presence of an effective internal control system as follows:

- Implement the 4 eyed principle whereby any document is prepared by an employee and reviewed by another employee.
- Implement the segregation of duties ensuring that no function conflicts in performing its tasks.
- Review of the efficiency and sufficiency of the internal control systems on periodical basis (at least annually) by the internal audit and independent auditor mandated with the internal control review systems applied in the Company, taking into consideration the underlined risks in implementing the Company activities and operations.

Formation of an independent internal audit function/unit/department

An internal audit officer was appointed in the Company (registered with the Capital Markets Authority). Further, the Company appointed an international consultancy firm to perform the assessment of the internal controls system and submit reports to both Board, the Audit and Risks Management Committee. Further, the internal audit officer enjoys independence as the officer reports to the Board Audit Committee.

Rule 6: Promote Code of Conduct and Ethical Standards

Professional code of conduct and ethical values

The Company documented and approved a code of conduct and ethical values charter, applicable to the Board of Directors, Executive Management and Company staff. Among the most significant matters addressed by the Company are the following;

- General conduct
- Customers relation
- Avoiding the conflict of interests
- Use of confidential and official information

Method of limiting conflicts of interest

Amwal International Investment Company is committed to manage its business fairly and appropriately ensuring the fulfilment of the long-term interests of its shareholders. As part of this commitment, the conflict of interests manual stipulates the required policies and procedures for fair and appropriate practices and conducts of the businesses which the Company expects from its Board of Directors and staff equally. Further, this policy is mandated for all Company personnel, vendors, officials and the Board of Directors.

Rule Seven: Ensure timely and high-quality disclosure and transparency

Disclosure of material information

According to the instructions of the Capital Markets Authority, the Company drafted and developed a disclosure system ensuring compliance with all regulatory and legal requirements. The Company defined and determined the information subject to disclosure pursuant to regulatory instructions issued in this respect.

The Company discloses its financial results and any material information to the public and shareholders through the Boursa Kuwait's electronic portal.

The compliance department monitors all Company resolutions and submits recommendations to the Board of Directors, should such decisions and information fulfil the regulatory requirements for disclosure.

The Company keeps a specific register for all disclosures made during the year.

Board of Directors and Executive Management disclosures

For the disclosures of the Board of Directors and Executive Management, the compliance department also maintains a register for such disclosures. Further, the Board of Directors and Executive Management are required to notify the compliance department before and after any trading on the Company shares or other listed companies (according to the disclosure procedures approved by the Board of Directors and regulatory instructions in place)

Establishing an investors relations unit

The Board of Directors established an investors' affairs unit and appointed one of the Company's staff to handle and manage its tasks.

Developing the IT infrastructure related to disclosures

The Company discloses to the public and its shareholders, through the electronic portal of Kuwait Stock Exchange Company, where the Company has a dedicated page on the portal. The Company page may only be accessed by the authorized persons. The employee uploads the documents into the portal, the documents are then approved by a manager to complete the disclosure process.

Rule Eight: Respect the rights of shareholders

Define and protect the general rights of the shareholders ensuring fairness and equality between all shareholders

A policies and procedures manual for the rights of shareholders has been documented, that includes the following in order to protect the rights of shareholders:

1. Documenting the values of shareholders equities (comprising the percentage of ownership to the total capital, number and value of the shares held)

2. Freedom to trade the owned shares in a manner that does not contradict with the regulatory and legal mandates in place.

3. Obtaining dividends in proportion with the percentage of ownership.

4. Obtaining a share in the event of liquidating the Company based on the shareholding percentage and type of held shares.

5. Providing shareholders with information on the Company's activities and strategies in a manner that conflict with the instructions of the Capital Markets Authority with regards to insider information.

6. Attending the ordinary and extraordinary general assembly meetings

Shareholders' register and records

Kuwait Clearing Company maintains a register for all the shareholders identifying the trading number, shareholder name, number of shares held, and their value in addition to the percentage of shareholding out of the total capital. The register is updated on daily basis by the clearing company to follow up the shareholders movement.

Encouraging shareholders to contribute and vote in Annual General Meetings

The Company announces the ordinary (and extraordinary) general assembly meeting in two daily newspapers for two weeks consecutively.   The announcement includes:

- Type of the general assembly (ordinary/extraordinary)
- Date and location of the general assembly
- Agenda and items to be discussed in the meeting

In addition to the above, the Articles of Association stipulates the voting mechanism in the general assembly on such topics which require the voting of shareholders.

Rule Nine: Recognize the roles of stakeholders

Protection of stakeholder rights

There are several policies and procedures manuals that govern and ensure the rights of stakeholders as follows:

- Company clients – guidelines have been prepared and approved that govern the applicable procedures towards clients and their activities

- Shareholders- the shareholders rights policies and procedures manual has been drafted and approved.

- Regulatory authorities- all policies and procedures have been drafted according to regulatory and legal requirements.

Encouraging stakeholders to follow the Company's activities

The Company discloses its financial results and any other material information which may affect the Company activities or financial position to the public and shareholders through the Kuwait Boursa Portal. Further, all disclosed information is available at the Company for any stakeholders' review.

Rule Ten: Encourage and enhance performance

Mechanisms for the Board of Directors and Executive Management receiving training programs continuously

The subjects that contribute to Board members enhancing performance of their duties are determined. External or internal consultants (Company employees) organize training programs for the Board of Directors. Further, a Board training plan including the most significant and latest topics covering skills and experience requirements of the Board members.

Evaluation of the Board of Directors as a whole, individually and Executive Management's performance

An evaluation framework has been prepared & developed according to best practices and good governing standards. Further, a methodology has been approved for the evaluation of the board members individually and the board of directors collectively, including the following criteria:

- Qualifications required from Board members.

- Board interaction from Board members regarding the topics raised

- Measuring and monitoring the extent of achieving the Company strategy and objectives

Value creation, achievement of strategic objectives and enhancing performance

A whistle blower policy has been developed and approved to report irregularities and illegal practices in the Company, which ensures the rights of personnel and their confidentiality in the event of reporting to the Company any such cases. In addition to not proceeding with any legal and/or disciplinary action (provided these cases are in good faith) if proved otherwise.

Furthermore, internal audit, risk management and compliance departments have access to the Board of Directors without Executive Management's intervention according to regulatory instructions and good governance practices.

The Company also works to develop the skills and experiences of its personnel through preparing a training plan and sending them to training courses to cover their professional requirements.

Rule Eleven: Focus on the importance of corporate social responsibility

Corporate Social Responsibility Policy

The Board complies with the issued instructions of the Capital Markets Authority regarding corporate governance principles regarding carrying out its Corporate Social Responsibility (CSR) towards its stakeholders, staff, community and environment during the performance of its business. As part of this compliance, the Board of Directors at Amwal International Investment Company developed and approved a policy for balancing between the social and environmental objectives along with Company's economic objectives.

Programs related to Corporate Social Responsibility

The Board of Directors adopted a CSR Policy ensuring its suitability with the nature and scope of its business. The policy includes a code of conduct related to bribery, corruption and compliance with the constant improvement, as well as protection against the negative social and environmental effects on the Company.

The Board of Directors appointed an employee as its CSR officer, in order to be directly in charge for the planning, implementation and monitoring of the corporate social responsibility activities, in addition to submitting reports to the Board of Directors on a periodical basis for the matters related to Corporate Social Responsibility.

Amwal International Investment Company K.S.C.P. and Subsidiaries

Kuwait

Independent Auditors' Report and Consolidated Financial Statements

31 December 2018

AMWAL أمـــوال

Deloitte & Touche
Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062 or
P.O. Box 23049 Safat 13091, Kuwait

Tel: + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

Independent Auditor's Report to the Shareholders
Amwal International Investment Company K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code),* and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified the following key audit matter and our description of how our audit addressed the matter is provided in that context.

Valuation of Unquoted Investments in Securities

Investments in securities primarily comprise of investments in unquoted securities and amounts to KD 10,692,496 as at 31 December 2018. These instruments are classified as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and are measured at fair values with the corresponding fair value change recognized in other comprehensive income and in statement of profit or loss respectively.

As disclosed in Note 4 Significant accounting judgement and estimates, the valuation of investments in unquoted securities uses inputs other than observable market data and therefore are inherently subjective.

It also requires significant judgement by management in determining the appropriate valuation methodology and use of various assumptions like cash flows, discount rates, market risk adjustments etc.

Given the inherent subjectivity and judgement required in the valuation of such unquoted investments that are classified under level 3 fair value hierarchy, we determined this to be a key audit matter.

As part of our audit procedures, we evaluated the design and implementation of controls over management's valuation process. With the support of our valuation experts, we benchmarked and challenged key assumptions in the valuation model and determined the appropriateness of the models used by the Group. We also tested on a sample basis the appropriateness of the models used by the Group and the reliability of the data used. We also assessed the adequacy of the fair value disclosures in the consolidated financial statements.

Other information included in the Annual Report of the Group for the year ended 31 December 2018

Management is responsible for the other information. Other information consists of the information included in the Annual Report of the Group for the year ended 31 December 2018, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2018 after the date of our auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith.

We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Company or on its financial position.

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

Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche - Al-Wazzan & Co.

Kuwait 20 February 2019

Consolidated Statement of Financial Position

As at 31 December 2018

(All amounts in Kuwaiti Dinars)

	Note	2018	2017 (Adjusted Note 17.3)
ASSETS			
Current assets			
Cash and cash equivalent	5	7,904,221	4,004,590
Financial assets at fair value through profit or loss	7	2,491,946	-
Trade and other receivables	6	726,740	4,771,840
		11,122,907	8,776,430
Non-current assets			
Financial assets at fair value through OCI	7	8,200,550	-
Available for sale investments	7	-	10,539,037
Investments in associates	8	2,094,955	2,235,774
Participation in brokerage guarantee system	9	250,000	250,000
Equipment		264,011	172,954
Goodwill and intangible assets	10	3,370,652	2,737,425
		14,180,168	15,935,190
TOTAL ASSETS		25,303,075	24,711,620
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	11	508,524	455,368
Non-current liabilities			
Post-employment benefits		318,550	281,673
		827,074	737,041
EQUITY			
Attributable to shareholders of the Parent Company			
Share capital	12	18,055,125	18,055,125
Share premium	12	1,500,000	1,500,000
Legal reserve	12	680,359	680,359
Foreign currency translation reserve		(797,494)	(542,180)
Investment fair valuation reserve		1,286,895	1,696,582
Accumulated losses		(3,161,923)	(3,986,041)
		17,562,962	17,403,845
Non–controlling interests		6,913,039	6,570,734
		24,476,001	23,974,579
TOTAL LIABILITIES AND EQUITY		25,303,075	24,711,620

The accompanying notes form an integral part of these consolidated financial s

Bader Fahad Al-Rezaihan

Chairman

Syed Akbar A. Bokhari

Chief Executive Officer

AMWAL أمـــوال

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018
(All amounts in Kuwaiti Dinars)

	Note	2018	2017
Income			
Trading and brokerage income	13	3,985,992	3,614,964
Share of results from associates		103,818	(392,551)
Net investment income	14	198,502	-
Gain from sale of subsidiaries		-	200,000
Other income		189,175	26,352
Gain on foreign exchange revaluation		236,180	151,782
		4,713,667	3,600,547
Operating expenses and other charges			
Staff costs		(1,542,070)	(1,602,006)
General & administrative expenses	15	(1,140,998)	(946,455)
Marketing expenses		(397,115)	(361,762)
Depreciation and amortization		(100,507)	(88,357)
		(3,180,690)	(2,998,580)
Profit before statutory contributions		1,532,977	601,967
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(18,483)	(15,838)
Zakat		(17,005)	(17,966)
National Labour Support Tax (NLST)		(14,432)	(1,763)
Profit for the year		1,483,057	566,400
Attributable to:			
Shareholders of the Parent Company		607,618	(16,354)
Non–controlling interests		875,439	582,754
		1,483,057	566,400
Earnings / (Losses) per share (Fils)	16	3.37	(0.09)

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

(All amounts in Kuwaiti Dinars)

	2018	2017
Profit for the year	1,483,057	566,400
Other comprehensive income items:		
Items to be reclassified to consolidated statement of profit or loss in subsequent periods		
Exchange differences arising from translation of foreign operations	(493,850)	(243,447)
Change in fair value of available for sale investments	-	2,184,239
Items that will not be classified to consolidated statement of profit or loss in subsequent periods		
Change in fair value of financial assets at fair value through OCI	54,374	-
Other comprehensive (loss) / income for the year	(439,476)	1,940,792
Total comprehensive income for the year	1,043,581	2,507,192
Total comprehensive income attributable to:		
Shareholders of the Parent Company	406,678	1,790,338
Non-controlling interests	636,903	716,854
	1,043,581	2,507,192

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

Consolidated Statement of Changes in Shareholders’ Equity

For the year ended 31 December 2018
(All amounts in Kuwaiti Dinars)

	Equity attributable to shareholders of the Parent Company							Non-controlling interests (Adjusted Note 17.3)	Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Accumulated Losses	Total		
As at 1 January 2017	18,055,125	1,500,000	680,359	(414,178)	(238,112)	(3,969,687)	15,613,507	4,661,250	20,274,757
Effect of acquisition of a subsidiary (adjusted)	-	-	-	-	-	-	-	1,486,630	1,486,630
Dividends paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	(294,000)	(294,000)
(Loss)/ profit for the year	-	-	-	-	-	(16,354)	(16,354)	582,754	566,400
Other comprehensive income items	-	-	-	(128,002)	1,934,694	-	1,806,692	134,100	1,940,792
As at 31 December 2017 (restated)	18,055,125	1,500,000	680,359	(542,180)	1,696,582	(3,986,041)	17,403,845	6,570,734	23,974,579
As at 1 January 2018 (as Presented)	18,055,125	1,500,000	680,359	(542,180)	1,696,582	(3,986,041)	17,403,845	7,054,507	24,458,352
Adjustment on non-controlling interest (Note 17.3)	-	-	-	-	-	-	-	(483,773)	(483,773)
As at 31 December 2017 (restated)	**18,055,125**	**1,500,000**	**680,359**	**(542,180)**	**1,696,582**	**(3,986,041)**	**17,403,845**	**6,570,734**	**23,974,579**
Impact on adoption of IFRS 9 (Note 2.2.1)	-	-	-	-	(464,061)	216,500	(247,561)	(598)	(248,159)
	18,055,125	1,500,000	680,359	(542,180)	1,232,521	(3,769,541)	17,156,284	6,570,136	23,726,420
Dividends paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	(294,000)	(294,000)
Profit for the year	-	-	-	-	-	607,618	607,618	875,439	1,483,057
Other comprehensive income items	-	-	-	(255,314)	54,374	-	(200,940)	(238,536)	(439,476)
As at 31 December 2018	18,055,125	1,500,000	680,359	(797,494)	1,286,895	(3,161,923)	17,562,962	6,913,039	24,476,001

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2017
(All amounts in Kuwaiti Dinars)

	Note	2018	*2017*
Cash flows from operating activities			
Profit for the year		1,483,057	566,400
Adjustments			
Share of results from associates		(103,818)	392,551
Depreciation and amortization		83,204	88,357
Net investment income		(198,502)	-
Interest income		(177,938)	(3,706)
Gain on sale of subsidiaries		-	(200,000)
Gain from sale of equipment		(122)	-
Provision for post-employment benefits		59,715	78,125
Operating profit before changes in working capital		1,145,596	921,727
Trade and other receivables		3,553,345	(211,532)
Trade and other payables		48,930	(40,439)
Payment of post-employment benefits		(22,838)	(36,573)
Net cash from operating activities		4,725,033	633,183
Cash flows from investing activities			
Available for sale investments		-	(33,194)
Purchase of associates		-	(46,684)
Proceeds from sale of equipment		5,000	-
Acquisition of a subsidiary net of cash acquired	17.2	(1,879,990)	(2,155,499)
Net paid for purchase of equipment		(148,386)	(10,995)
Payments for intangible assets (net)		(37,670)	(22,286)
Proceeds from disposal of subsidiaries		-	129,996
Dividend income		99,737	-
Net movement in deposits		1,803,719	(2,552,607)
Net cash used in investing activities		(157,590)	(4,691,269)
Cash flows from financing activities			
Net movement in non-controlling interests		-	2,264,403
Interest income		177,938	3,706
Dividends paid to non-controlling interests by a subsidiary		(294,000)	(294,000)
Net cash (used in)/ generated from financing activities		(116,062)	1,974,109
Net increase/ (Decrease) in cash and cash equivalents		4,451,381	(2,083,977)
Effects of exchange rate changes on cash and cash equivalents		(484,954)	622,495
Cash and cash equivalents at beginning of the year		853,851	2,315,333
Cash and cash equivalents at end of the year	5	4,820,278	853,851

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

1. Incorporation and activities

Amwal International Investment Company K.S.C.P ("the Parent Company") is a Public Kuwaiti Shareholding Company. The Parent Company is regulated as an investment company by the Capital Markets Authority of Kuwait ("the regulator") and is registered with the Central Bank of Kuwait (CBK). It's shares are listed on the Kuwait Stock Exchange.

The registered office of the Parent Company is at P.O. Box 3216, Al-Sahab Tower, Safat 13032, Kuwait.

The Parent Company along with the subsidiaries disclosed in note 17 is referred to as "the Group".

The principal activities of the Parent Company are:

1. Investing in real estate, industrial, agricultural and other economic sectors, through contributing in the establishment of specialized companies or purchasing shares or bonds of these companies in various sectors in Kuwait and abroad;

2. Contributing in establishment or partial ownership of companies in various sectors;

3. Managing funds of public and private institutions and investing these funds in various economic sectors, including the management of financial and real estate portfolios;

4. Providing and preparing technical and economic studies and project consultancy;

5. Mediating in lending and borrowing operations;

6. Performing businesses related to bonds issuance managers' functions issued by companies, organizations and custodians;

7. Finance and brokerage international trade operations;

8. Providing loans to different sectors taking into consideration the financial viability in granting loans and by maintaining the continuity of the Company's financial position viability in accordance with the conditions, rules and limits set by the regulator;

9. Dealing and trading in GCC and global commodity and precious metals market inside Kuwait and outside in favor of the Company;

10. Trading in shares and bonds of companies and local and international government organizations;

11. Providing all services that help in developing and supporting the capacity of the financial and monetary market in Kuwait and to meet its needs within the limits of the law and according to procedures or instructions issued by the regulator;

12. Establishing and managing all types of investment funds in accordance with the law.

13. Acting as brokers in buying and selling securities for third parties' account against commission;

14. Carrying out Investment Ombudsman Activity.

During the year, Amwal International Investment Company K.S.C.P was acquired by Shuaa Capital P.J.S.C., a public shareholding company by 87.22% established in the United Arab Emirates and listed on the Dubai Financial Market. The Parent Company's shareholders approved the consolidated financial statements for the year ended 31 December 2017 at the annual general assembly meeting held on 13 May 2018.

These consolidated financial statements were approved and authorized for issue by the Parent Company's Board of Directors on 20 February 2019, and are subject to the approval of the Company's shareholders at their forthcoming Annual General Meeting (AGM).

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), under the historical cost basis of measurement except for the measurement at fair value of available for sale investments.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

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

2.2 Application of new and revised International Financial Reporting Standards (IFRS)

2.2.1 New and revised IFRSs that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these consolidated financial statements.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28.
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”
- Amendments to IFRS 2 “Share Based Payment” regarding classification and measurement of share based payment transactions.
- Amendments to IFRS 4 “Insurance Contracts”: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard
- Amendments to IAS 40 “Investment Property”
- IFRS 15 “Revenue from Contracts with Customers”
- IFRS 9 “Financial Instruments”

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years except the impact of the application of IFRS 9 and 15.

Impact of application of IFRS 9 "Financial Instruments"

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs that are effective for an annual period that begins on or after 1 January 2018. The Group has elected not to restate comparatives in respect of the classification and measurement of financial instruments as allowed in the transition provisions of IFRS 9.

IFRS 9 introduces new requirements for:

1) The classification and measurement of financial assets and financial liabilities,

2) Impairment for financial assets and

3) General hedge accounting.

Classification of financial assets and financial liabilities

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

The Group's accounting policies for classification and measurement of financial assets under IFRS 9 is explained in note 2.3.

The adoption of IFRS 9 did not have a significant effect on the Group's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, and debt investments at fair value through other comprehensive income but not to investments in equity investments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Group's accounting policies for impairment of financial assets under IFRS 9 is explained in note 2.3.

Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39	Loss allowance recognised under IFRS 9	New carrying amount under IFRS 9
Investments in equity instruments (Note 7)	Available-for-sale investments	FA at FVTOCI	8,145,856	-	8,145,856
Investments in equity instruments	Available-for-sale investments	FA at FVTPL	2,393,181	-	2,393,181
Receivables (Note 6)	Loans and receivables	FA at amortised cost	4,771,840	(1,223)	4,770,617
Cash and cash equivalents (Note 5)	Loans and receivables	FA at amortised cost	4,004,590	-	4,004,590
Accounts payables and borrowings	Financial liabilities at amortised cost	Financial liabilities at amortised cost	455,368	-	455,368

The following table analyses the impact of transition to IFRS 9 on fair value reserve and accumulated losses and non-controlling interest:

	Fair value reserve	Accumulated losses	Non-controlling interests (Restated)
Closing balance under IAS 39 (31 December 2017-Restated)	**1,696,582**	**(3,986,041)**	**6,570,734**
Impact on reclassification and re-measurements:			
Investment from available for sale reclassified to FVTPL	(464,061)	464,061	-
IFRS 9 ECL on financial assets at amortized cost (share of associate ECL)	-	(246,937)	-
IFRS 9 ECL on financial assets at amortized cost (Subsidiary Company)	-	(624)	(598)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**1,232,521**	**(3,769,541)**	**6,570,136**

Adoption of IFRS 15 Revenue from Contracts with Customers

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

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

The accounting policies for the new standard is disclosed in note 2.3.12.

2.2.2 New and revised IFRS in issue but not yet effective and not early adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing costs*.	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments in IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation.	1 January 2019
Amendment to IAS 19 *Employee Benefits* relating to amendment, curtailment or settlement of a defined benefit plan	1 January 2019
Amendments in IAS 28 *Investments in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The Group does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 16 'Leases'

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

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

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2018, the Group has performed an impact assessment of IFRS 16. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in the financial year 2019, when the Group will adopt IFRS 16.

2.3 Significant accounting polices

2.3.1 Business combinations

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

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

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

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

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

2.3.2 Consolidation

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

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

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

- The ability to use its power over the investee to affect its returns.

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

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

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

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognised in assets are eliminated in full.

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

2.3.3 Investments in associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a direct or indirect shareholding of more than 20% of the voting rights. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recognised as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates and is neither amortised nor individually tested for impairment. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases.

Under the equity method, the Group recognises in the consolidated statement of profit or loss, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

Unrealised gains on transactions with associates are eliminated to the extent of the Group's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment is made at each statement of financial position date to determine whether there is objective evidence that an associate may be impaired. If such evidence exists, it is tested for impairment as a single asset, including goodwill, by comparing its recoverable amount (being the higher of its value in use and its fair value less cost to sell) with its carrying amount. Any impairment loss is recognized in the consolidated statement of profit or loss and forms part of its carrying amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

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

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

2.3.4 Intangible assets and goodwill

Identifiable non-monetary assets from which future benefits are expected to flow are treated as intangible assets. Intangible asset comprise of rights of utilization, brokerage license and software rights.

Intangible assets are stated at cost less impairment loss, if any. Intangible assets with definite useful lives are amortised on a straight line basis over their expected useful lives and are tested annually for impairment. Rights of utilisation and software rights are amortised on a straight line basis over a period of 10 years and 3-5 years respectively.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible asset is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the consolidated statement of profit or loss.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets acquired in a business combination or an associate at the date of acquisition. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing.

Goodwill on acquisition of associates is included in investments in associates. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

Goodwill and intangible assets with indefinite useful lives are tested at least annually for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill and intangible assets. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

2.3.5 Financial instruments (effective from 1 January 2018)

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through consolidated statement of income) are added to or deducted from the fair value of the financial assets or financial liabilities, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through consolidated statement of income are recognised immediately in consolidated statement of income.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

The financial assets are classified as follows:

- Amortised cost
- Equity instruments designated as at FVTOCI
- Financial assets at FVTPL

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order 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 on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

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

- The Group may irrevocably elect to classifying in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- The Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost

Financial assets classified at amortized cost are subsequently measured at amortized cost using the effective interest method adjusted for impairment losses, if any.

Interest income is recognized in the consolidated statement of income.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

Investments in equity instruments designated as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

The cumulative gain or loss will not be reclassified to consolidated statement of income on disposal of these investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in consolidated statement of income when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Net investment income' line item (Note 14) in statement of consolidated profit and loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated statement of income to the extent they are not part of a designated hedging relationship.

The net gain or loss recognised in statement of income includes any dividend or interest earned on the financial assets.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

- For financial assets measured at amortised cost, exchange differences are recognised in consolidated statement of income.
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.
- For financial assets measured at FVTPL, exchange differences are recognised in consolidated statement of income.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each financial reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

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

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood of risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in consolidated statement of income. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to consolidated statement of income. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated statement of income, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for trading, or 3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the 'other gains and losses' line item in consolidated statement of income for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the interim condensed consolidated statement of income.

2.3.6 Financial instruments (Effective up to 31 December 2017)

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), held to maturity, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. The Group classifies its financial assets as loans and receivables and available for sale investemnts.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash at banks) are measured at amortised cost using the effective interest method, less any impairment.

Available for sale (AFS)

AFS financial assets are non-derivatives and are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

The financial assets available for sale are re-measured at fair value. The fair value is determined as described in note (3.3).

The financial assets available for sale are re-measured at fair value. The fair value is determined as described in note (3.3).

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of changes in fair value reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Foreign exchange gains and losses are recognised in other comprehensive income.

Impairment in value

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the investments below its cost is considered to be objective evidence of impairment.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.
Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities

Financial liabilities (including borrowings and trade and other payables) are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged and expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.3.7 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the consolidated statement of cash flows.

2.3.8 Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost of an item of equipment comprises of its acquisition costs and all directly attributable costs of bringing the asset to working condition for its intended use. Depreciation is provided on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Computers	2 - 5
Furniture and fittings	3 - 5
Other equipment	3 - 5

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.3.9 Post-employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans, to employees at cessation of employment, in accordance with the laws of Kuwait. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the statement of financial position date and approximates the present value of the liability. Payments under state plans and changes in defined benefit plan liabilities are charged to the consolidated statement of profit or loss.

2.3.10 Accounting for leases

Where the Company is the lessee – operating lease

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2.3.11 Provisions for liabilities

Provisions for liabilities are recognised, when, as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation and the amount can be reliably estimated.

2.3.12 Revenue recognition

The following specific recognition criteria must be met before revenue is recognized:

Net fee income

- The Group recognizes net fee income as the services are rendered and in line with the contractual provisions in the "operations and management services agreement" with the Intermediate Parent Company.
- Dividend income is recognized when the Group's right to receive dividends is established.
- Interest income from deposits is recognized on time basis.

2.3.13 Foreign currency transactions

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Company it is the Kuwaiti Dinar and in the case of subsidiaries it is their respective national currencies or the applicable foreign currency. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of profit or loss.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the investment fair valuation reserve in consolidated statement of changes in shareholders' equity.

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

2.3.14 Contingencies

Contingent assets are not recognised as an asset unless realization becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognised as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination is recognised only if its fair value can be measured reliably.

2.3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

3. Financial instruments, risk management and fair values

3.1 Categories of financial assets and liabilities

The Group's financial assets have been categorized as follows:

	Loans and receivables	Investment Securities
31 December 2018		
Cash and cash equivalent	7,904,221	
Trade and other receivables	726,740	
Financial assets at fair value through OCI	-	8,200,55
	8,630,961	8,200,55
31 December 2017		
Cash and cash equivalent	4,004,590	
Trade and other receivables	4,771,840	
Available for sale investments	-	10,539,03
	8,776,430	10,539,03

All financial liabilities as of 31 December 2018 are categorized as amortized cost.

3.2 Fair values

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about the fair value hierarchy and how the fair values of these financial assets are determined.

This hierarchy Groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

Financial assets	Fair value as at 31/12/18	Fair value as at 31/12/17	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Fair value through P&L						
Foreign unquoted securities	2,491,946	-	3	Discounted cash flow	Discount rate and growth rate	The higher the discount rate, the lower the fair value
Fair value through FVTOCI						
Foreign unquoted securities	8,200,550	-	3	Adjusted book value	Book value adjusted with market risk	The higher the market risk, the lower than fair value

Financial assets	Fair value as at 31/12/18	Fair value as at 31/12/17	Fair value hierarchy	Valuation technique(s) and Key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Available for sale						
Foreign unquoted securities	-	2,393,181	3	Discounted cash flow	Discount rate and growth rate	The higher the discount rate, the lower the fair value
		8,145,856	3	Adjusted book value	Book value adjusted with market risk	The higher the market risk, the lower the fair value

Reconciliation of level 3 fair value measurements:

	2018	2017
Balance as at beginning of the year	10,539,037	1,883,904
Transfers into level 3	-	6,470,892
Change in fair value	153,459	2,184,241
Balance as at end of the year	10,692,496	10,539,037

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

The fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis approximately equals their carrying values.

3.3 Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, liquidity risk and market risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the Parent Company's Board of Directors in consultation with the Chief Executive Officer (CEO). The CEO identifies and evaluates financial risks in close co-operation with management.

The significant risks that the Group is exposed to are discussed below:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, trade and other receivables and brokerage subscription guarantee. The Group manages credit risk by placing funds with financial institutions of high credit rating and transacting principal business with counter parties of repute.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring on a regular basis that sufficient funds are available to meet maturing commitments.

All outstanding liabilities will mature within one year from the date of consolidation financial position.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's primary exposure to market risk is in equity price risk, currency risk and interest rate risk.

(I). Equity price risk

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The Parent Company's investments are represented in foreign unquoted securities.

(II). Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group manages this risk by setting limits on exposures to currency and counter party and transacting business in major currencies with counter parties of repute.

The Group's currency risk arises from exposure of foreign currencies. The effect on income if there was a 5% increase/decrease in the exchange rate of major currencies vis-à-vis the Kuwaiti Dinar, with all other variables held constant would be an decrease/increase in net profit depending on the net position of each currency, as follows:

Currency	2018	2017
US Dollar	280,866	191,433

(III). Interest rate risk

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

Interest rate change of 1% does not have any material impact in cash flows.

3.4 Capital risk management

The Group's objectives when managing capital are to safeguard its 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 structure to reduce the cost of capital. The Group has no external borrowings as at 31 December 2018 and 31 December 2017.

The Group is required to maintain a minimum share capital of KD 15 million as it is registered as an investment company with the Central Bank of Kuwait.

4. Significant accounting judgments and estimates

In accordance with the accounting policies contained in IFRS and adopted by the Group, management makes the following judgments and estimations that may significantly affect amounts reported in these consolidated financial statements.

Judgments

Classification of financial instruments- IFRS 9 (Effective from 1 January 2018)

On acquisition of an investment, the Group decides whether it should be classified as "FVTPL" or "FVTOCI". The Group follows the guidance of IFRS 9 on classifying its investments.

The Group has designated its investments in equity instruments mainly as "FVTOCI" as these investments are strategic investments.

Indications of impairment

At each statement of financial position date, management assesses, whether there is any indication that goodwill and intangible assets, investments in associates and equipment may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

The Group has to assess whether credit risk on financial assets and other items has increased significantly since initial recognition in order to determine whether 12 months ECL or lifetime ECL should be recognized.

Contingent liabilities/liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

Sources of estimation uncertainty

Valuation of unquoted investment securities

The valuation techniques for unquoted investment securities make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate (Note 3.2).

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Impairment and useful lives of equipment/goodwill and intangible assets

The Group tests annually whether equipment or goodwill and intangible assets have suffered impairment in accordance with accounting policies stated in note 2.3.8 and 2.3.4 respectively. The recoverable amount of an asset is based on fair value less costs to sell or value-in-use calculations. The value in use method uses estimated cash flow projection over the estimated useful life of the asset. The Group management determines the estimated useful lives and related depreciation and amortisation charge for the year. It could change significantly as a result of change in technology. Management will increase the depreciation or amortisation charge where useful lives are less than previously estimated lives.

Impairment of associates

After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss on the Group's investment in its associated companies, at each statement of financial position date based on existence of any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the impairment loss in the consolidated statement of profit or loss.

Any changes in these estimates and assumptions as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying value of the above assets.

Impairment of financial (Receivables)

The Group uses of forward-looking information and assumptions about the probability of default and expected credit risk rates.

5. Cash and cash equivalent

	2018	2017
Cash in hand and at banks	4,307,007	4,004,590
Cash at Portfolio	3,597,214	-
	7,904,221	4,004,590
Less: time deposits held against a letter of guarantee	(2,477,599)	(2,464,936)
Less: time deposits held with original maturities exceeding three months	(501,34	(580,8(
Less: Bank balances blocked - against letter of guarantees	(105,000)	(105,000)
	4,820,278	853,851

Time deposits are held with banks within United Arab Emirates (UAE) and carry interest at the prevailing market rates and have original maturities of one year or less.

A time deposit amounting to AED 30,000,000 (equivalent KD 2,477,599) is held against a letter of guarantee provided to the Group by its banker (Note 21).

The effective interest rate on short-term deposits was nil as at 31 December 2018 (1.61% as at 31 December 2017).

6. Trade and other receivables

	2018	2017
Trade receivables	448,891	3,705,992
Prepayments, advances and deposits	109,898	173,356
Due from related parties (note 18)	169,174	869,599
Accrued income	-	22,893
Loss allowance	(1,223)	-
	726,740	4,771,840

The other classes within trade and other receivables are neither past due nor impaired. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2018	2017
Kuwaiti Dinar	250,353	1,780,156
US Dollar	-	2,991,684
UAE Dirham	101,510	-
Others	374,877	-
	726,740	4,771,840

The Group does not hold any collateral as security.

7. Investments

	2018	2017
Financial assets at fair value through OCI		
Unquoted investment (carried at fair value)	8,200,550	-
Financial assets at fair value through profit or loss		
Unquoted Investment (carried at fair value)	2,491,946	-
Available for sale investments		
Unquoted investment (carried at fair value)	-	10,539,037
	10,692,496	10,539,037

The financial assets at fair value through OCI represent unquoted investments carried at fair value represented in 8.93% of an investee company located outside State of Kuwait. The investee through an associate owns real estate property located in the United Arab Emirates.

The fair value of the investments was determined based on valuation bases mentioned in Note (3.2) to these consolidated financial statements.

Investment securities are denominated in the following currencies:

	2018	2017
UAE Dirham	8,200,550	8,145,856
US Dollar	2,491,946	2,393,181
	10,692,496	10,539,037

8. Investments in associates

Company name	Country of incorporation	Principal activity	2018		2017	
			%	Carrying value	%	Carrying value
Al Shamel International Holding Company K.S.C.C	Kuwait	Investment Management	33.25	1,744,713	33.25	1,873,268
Al-Sheikha Fatma Homoud Faisal Al-Sabah and Partner W.L.L	Kuwait	Restaurant	34	323,616	34	322,038
Others				26,626		40,468
				2,094,955		2,235,774

The above associates are accounted for using the equity method in this consolidated financial statements based on audited financial statements as of 31 December 2018.

Following is the summarized financial information of the significant associate:

Al Shamel

	2018	**2017**
Current assets	4,792,804	4,923,696
Non-current assets	1,638,820	1,819,331
Current liabilities	(1,165,866)	(1,088,653)
Non-current liabilities	(455,483)	(435,547)
Non-controlling interests	152,209	130,294
Net assets	4,962,484	5,349,121
Revenue for the year	1,728,330	1,969,438
Income/ (loss) attributable to owners of the Company	349,728	(1,217,195)
Loss attributable to non-controlling interests	(21,436)	(36,413)
Net income / (loss) for the year	328,292	(1,253,608)
Other comprehensive income / (loss) attributable to owners of the Company	6,302	(10,672)
Other comprehensive loss attributable to non-controlling interests	(479)	(718)
Other comprehensive income / (loss) for the year	5,823	(11,390)
Total comprehensive income / (loss) attributable to owners of the Company	356,030	(1,227,867)
Total comprehensive loss attributable to non-controlling interests	(21,915)	(37,131)
Total comprehensive income / (loss) for the year	334,115	(1,264,998)
Group's share of Al Shamel's net assets	1,650,027	1,778,582
Goodwill	94,686	94,686
Carrying amount of Group's interest in Al Shamel	1,744,713	1,873,268

9. Participation in brokerage guarantee system

Represents the value of participation in the financial brokerage guarantee system in accordance with Capital Markets Authority decision No. 92 of 2016.

10. Goodwill and intangible assets

	Goodwill	**Brokerage license**	**Rights of utilization and software**	**Total**
Cost				
As at 1 January 2018 (restated)	2,072,282	635,006	460,715	3,168,003
Acquisition through business combination (Note 17.2)	537,411	-	-	537,411
Additions	4,953	85,741	32,717	123,411
As at 31 December 2018	2,614,646	720,747	493,432	3,828,825
Accumulated amortization and impairment losses				
As at 1 January 2018	58,800	-	371,778	430,578
Amortization for the year		-	27,595	27,595
As at 31 December 2018	58,800	-	399,373	458,173
Net book value				
As at 31 December 2018	2,555,846	720,747	94,059	3,370,652

	Goodwill	Brokerage license	Rights of utilization and software	Total
Cost				
As at 1 January 2017	1,511,319	635,006	451,005	2,597,330
Acquisition of subsidiary (Note 17.3)	560,963	-	-	560,963
Additions	-	-	9,710	9,710
As at 31 December 2017 (restated)	2,072,282	635,006	460,715	3,168,003
Accumulated amortization and impairment losses				
As at 1 January 2017	58,800	-	342,527	401,327
Amortization for the year	-	-	29,251	29,251
As at 31 December 2017	58,800	-	371,778	430,578
Net book value				
As at 31 December 2017 (restated)	2,013,482	635,006	88,937	2,737,425

Goodwill has been allocated to the brokerage and trading business of the Group as that is the cash generating unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

Impairment testing

Goodwill

The Group determines whether goodwill and intangible assets are impaired at least on an annual basis.
This requires an estimation of the recoverable amount of the CGUs to which these items are allocated.
The recoverable amount is determined based on higher of value-in-use calculations or fair value less cost to sell.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	*Basis used to determine value to be assigned to key assumption*
Growth rate	Anticipated compounded average growth rate of not less than 1.5% (3% - 31 December 2017) per annum. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five-year period have been extrapolated using a growth rate of 3% (3% - 31 December 2017). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Discount rate	Discount rates range from 11% to 22% (11% to 12% - 31 December 2017). Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the above analysis, there are no indications that goodwill included in any of the cash generating units is impaired.

Brokerage license

Brokerage license represents costs incurred by NCM to acquire a brokerage license to engage in capital market activities in Turkey and Jordan. The intangible asset is accounted for using the cost model and considered as an asset with indefinite useful life.

Recoverable amount of intangible assets with indefinite useful life is calculated using value-in-use method based on following inputs. A discount rate of 14.87% (14.78% - 31 December 2017) and terminal growth rate of 2% (3.9% - 31 December 2017) are used to estimate the recoverable amount of the brokerage license in Turkey.

The Group has also performed a sensitivity analysis by varying these input factors by a reasonable margin. Based on such analysis, there are no indications that intangible assets with indefinite useful life are impaired.

11. Trade and other payables

	2018	2017
Accounts payable	132,041	109,039
Accrued expenses	312,914	187,127
Due to related parties (Note 18)	44,966	53,348
Others	18,603	105,854
	508,524	455,368

12. Share capital and reserves

Share capital

The authorized, issued and fully paid up capital of the Parent Company amounted to KD 18,055,125 distributed over 180,551,250 shares (180,551,250 shares - 31 December 2017) of 100 fils each and full cash paid.

Share premium

The share premium is not distributable.

Legal reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit has to be appropriated towards legal reserve. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist after the net profit and accordingly there is no transfer during the year. The legal reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

Voluntary reserve

The Parent Company's Articles of Association stipulates that the Board of Directors may propose appropriations to voluntary reserve for shareholders' approval. No transfer is required in a year in which the Parent Company has incurred a loss or where accumulated losses exist after the net profit and accordingly there is no transfer during the year.

13. Trading and brokerage income

The Group is involved in providing online trading services to customers of individual and corporate primarily in Kuwait and Turkey.

14. Net Investment income

	2018	2017
Dividend income	99,737	
Unrealized gain	98,765	-
	198,502	-

15. General and administrative expenses

	2018	2017
Office rent	244,896	259,856
Office expenses	455,434	233,177
Travel expenses	109,293	69,459
Professional fees	206,077	215,862
Business development	24,687	57,749
Telephone and postage	36,487	41,328
Subsidiary's Board of Directors' remuneration	28,000	-
Others	36,124	69,024
	1,140,998	946,455

16. Earnings/ (losses) per share

Earnings / (losses) per share is calculated by dividing the profit / (loss) attributable to the shareholders of the Parent Company for the year by the weighted average number of shares outstanding during the year as follows:

	2018	2017
Profit / (loss) for the year attributable to the shareholders of the Parent Company (KD)	607,618	(16,354)
Weighted average number of shares (Shares)	180,551,250	180,551,250
Earnings / (losses) per share (Fils).	3.37	(0.09)

17. Subsidiaries

17.1 Subsidiaries analysis

The subsidiaries of the Parent Company are as follow:

	Ownership (%)	
	2018	2017
Al Bareeq International for Paper and Plastic Products Company W.L.L, Kuwait (Bareeq)	99	99
Noor Capital Markets for Financial Brokerage Company K.S.C (Closed), Kuwait (NCM) and its subsidiaries	51	51

17.2 Business combination

On 26 June 2018, one of the subsidiaries acquired 100% equity interest in Noor Al Mal for Financial Brokerage and Foreign Stock Exchanges W.L.L. ("Noor Al Mal") from one of the board members of the subsidiary (Note 18).

Noor Al Mal is incorporated in Kingdom of Jordan and is engaged in financial investment and banking, financial and investment consultancy.

The consideration paid and the values of the assets acquired and liabilities assumed recognized, equivalent to their carrying values, at the acquisition date, in Noor Al Mal are summarized as follows:

	KD
Assets	
Furniture and equipment	3,990
Intangible assets	96,425
Account receivables and other assets	25,430
Cash and cash equivalents	1,755,225
	1,881,070
Liabilities	
Trade and other payables	4,226
Amount due to related parties	515,963
	520,189
Net assets acquired	1,360,881
Cash consideration	1,898,292
Less: net asset acquired	(1,360,881)
Goodwill	537,411
Cash flows on business combination	
Cash and bank balances in subsidiary acquired	18,302
Cash consideration paid	(1,898,292)
Net cash outflow on business combination	(1,879,990)

The consolidated statement of income of the Noor Capital Market `NCM` includes an operating loss of KD 96,176 relating to Noor Al Mal. Had Noor Al Mal been consolidated from 1 January 2018, the consolidated statement of income would have included KD 121,932 as operating loss relating to Noor Al Mal.

During the year, the Noor Capital Market has performed the purchase price allocation exercise in respect of the acquisition of Royal Capital P.J.S.C. ("Royal Capital") purchased in the prior year and allocated goodwill amounting to KD 560,963 (Note 10).

17.3 During 2017, one of the group`s subsidiaries (NCM) acquired 94% equity interest in an entity located in the UAE through its partly owned subsidiary. The consolidation of this entity by the Group's subsidiary (NCM) as of 31 December 2017 has been completed using the direct ownership of the acquiring subsidiary rather than the effective ownership percentage of NCM of 51.12%.

During 2018, NCM has adjusted the effect of this matter on both of the goodwill and the non-controlling interest, previously stated at KD 2,497,255 and KD 7,054,507 to be KD 2,013,482 and KD 6,570,734 repressively, by reducing them with KD 483,773.

There has been no effect on the consolidated statement of income and comprehensive income for the year ended 31 December 2018 or 2017.

As the acquisition took place during 2017, and due to the immaterial effect of the adjustment, the financial position was not presented as at 31 December 2016.

17.4 Subsidiaries with significant non-controlling interests

The summarized financial information for the Group's subsidiary that have significant non-controlling interests is set out below:

	Noor Capital Markets	
	2018	2017 (Restated)
Current assets	10,587,167	10,670,543
Non-current assets	2,552,799	1,825,824
Current liabilities	(383,521)	(464,879)
Non-current liabilities	(194,694)	(175,586)
	12,561,751	11,855,902
Equity attributable to:		
- Company's shareholders	6,406,493	6,046,510
- Non-controlling interests	6,155,258	5,809,392
	12,561,751	11,855,902
Revenue	4,595,591	4,292,747
Profit attributable to owners of NCM	919,539	873,388
Profit attributable to non-controlling interests	883,479	839,138
	1,803,018	1,712,526
Other comprehensive loss attributable to owners of NCM	(252,932)	(123,384)
Other comprehensive loss attributable to non-controlling interests	(243,014)	(118,545)
Other comprehensive loss for the year	(495,946)	(241,929)
Total comprehensive income attributable to owners of NCM	666,607	750,004
Total comprehensive income attributable to non-controlling interests	640,465	720,593
Total comprehensive income for the year	1,307,072	1,470,597
Net increase / (decrease) in cash flows	374,181	(1,286,275)

18. Related party transactions

These represent transactions with shareholders, directors, executive officers and key management of the Parent Company and companies of which they are principal owners or over which they are able to exercise significant influence. Pricing policies and terms of these transactions are approved by management.

	2018	2017
Balances:		
Due from related parties:		
Subsidiary shareholder	-	500,968
Other related parties	169,174	368,631
	169,174	869,599
Due to related parties:		
Other related parties	44,966	53,348
Key management compensation		
Salaries and other short term employee benefits	77,971	67,346
Other long term benefits	6,130	4,904

On 26 June 2018, one of the subsidiaries acquired 100% equity interest in Noor Al Mal for Financial Brokerage and Foreign Stock Exchanges W.L.L. ("Noor Al Mal") from one of the board members of the Parent Company for total consideration amounting to KD 1,898,292 (Note 17.2).

19. Fiduciary assets

The Group manages portfolios on behalf of third parties and maintains securities in fiduciary accounts which are not reflected in the Group's consolidated statement of financial position. Assets under management at 31 December 2018 amounted KD 6,264,735 (KD 3,325,630 - 31 December 2017).

20. Segment information

The Group's operating segments are determined based on the reports reviewed by the executive function that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

The Group has identified the following as the business operating segments:

- Brokerage and trading: Provides online trading services to its individual and corporate customers;
- Investment: Principally handling direct investments and investments in associates;
- Food and beverage: Operates a number of retail outlets in Kuwait.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The Group measures the performance of operating segments through measure of segment profit or loss net of taxes in management and reporting system.

The following table presents revenue, profit for the year, total assets and liabilities relating to the Group's reportable segments:

	Brokerage and trading	Investment	Food and beverage	Total
31 December 2018				
Segment revenues	3,985,992	-	-	3,985,992
Operating results	1,663,606	(412,385)	-	1,251,221
Share of result from associates	-	103,818	-	103,818
Interest income	174,900	3,038	-	177,938
Net profit/(loss) before tax	1,838,506	(305,529)	-	1,532,977
Unallocated expenses				(49,920)
Profit for the year				1,483,057
Segment assets (restated)	13,139,966	12,163,109	-	25,303,075
Segment liabilities	578,188	248,886	-	827,074

	Brokerage and trading	Investment	Food and beverage	Total
31 December 2017				
Segment revenues	3,614,964	200,000	-	3,814,964
Operating results	1,232,625	(187,863)	(53,950)	990,812
Share of result from associates	-	(392,551)	-	(392,551)
Interest income	-	3,706	-	3,706
Net profit/(loss) before tax	1,232,625	(576,708)	(53,950)	601,967
Unallocated expenses				(35,567)
Profit for the year				566,400
Segment assets (restated)	12,496,367	12,215,253	-	24,711,620
Segment liabilities	514,467	222,574	-	737,041

The Group primarily operates from Kuwait.

21. Commitments and contingencies

	2018	2017
Letters of guarantee (share of associate)	360,431	275,535
Letters of guarantee	2,727,599	350,000
Operating lease rentals (share of associate)	24,587	34,242
Operating lease rental commitment	616,883	516,087