ANNUAL REPORT

For The Year Ended 31 December, 2019

الصفاة
AL SAFAT

شركة الصفاة للإستثمار ش.م.ك.ع
AL SAFAT INVESTMENT COMPANY K.S.C.

www.alsafatinvest.com

بسم الله الرحمن الرحيم

LED BY FAITH AND LOYALTY,

WITH ITS AMIR, EQUALLY

HH. Sheikh

Nawaf Al-Ahmad Al-Jaber Al-Sabah

Crown Prince of the State of Kuwait

HH. Sheikh

Sabah Al-Ahmad Al-Jaber Al-Sabah

Amir of the State of Kuwait

Table of Contents

• Al-Safat Investment Company Profile	7
• Subsidiaries, Assosiates and Key Investments of Al-Safat Investment Company	9
• Board of Directors	11
• Board of Directors’ Report for the year 2019	12
• Corporate Governance Report for the year 2019	16
• Audit Committee Report for the year 2019	32
• Board of Directors and Executive Management’s Undertaking	34
• Shariah Audit Committee Report for the year 2019	36
• Shariah External Audit Report for the year 2019	38
• Independent auditors’ report and Consolidated Financial Statements for the year 2019	41

Al-Safat Investment Company Profile

Al-Safat Investment Co. was founded on September15,1983asaKuwaitishareholding company, working in accordance with provisions and requirements of the Islamic Shari'a, with a total capital of 25,693,940 Kuwaiti Dinars. The company was founded to be one of the leading companies in the field of wealth management and investment with a strategy that depends on diversification of income sources through acquiring the best investment opportunities available in various fields.

The company is working under the control and supervision of Kuwaiti regulating entities such as the Kuwait Capital Market Authority, Central Bank of Kuwait and Kuwait Ministry of Commerce and Industry. The company is taking into account the commands, laws and instructions that are issued from these authorities by being compliant to all regulations.

The main goal of Al-Safat Investment Comapny is to obtain successful and fruitful investments utilizing its expertise & professional vision towards selecting active investment opportunities and products which satisfy a wide segment of investors.

Summary of Company Activities:

1- Invest in real estate, financial, healthcare, industrial, energy, agricultural, food and other economic sectors through participating in the establishment of specialized companies or purchase of stocks and bonds in these companies, or manage projects in various sectors.

2- Manage funds of private and public institutions funds and investing such funds in the various economic sectors.

3- Conduct and provide technical, economic and evaluation consultancy, study investment projects and prepare the necessary studies through a professional integrated team.

4- Act as an intermediary in lending and borrowing transactions and extend loans to others in accordance with the generally recognized conventions and rules and regulations laid down by the Central Bank of Kuwait.

5- Perform the functions of lead manager of bonds issued by companies and institutions as well as the functions of investment trustee.

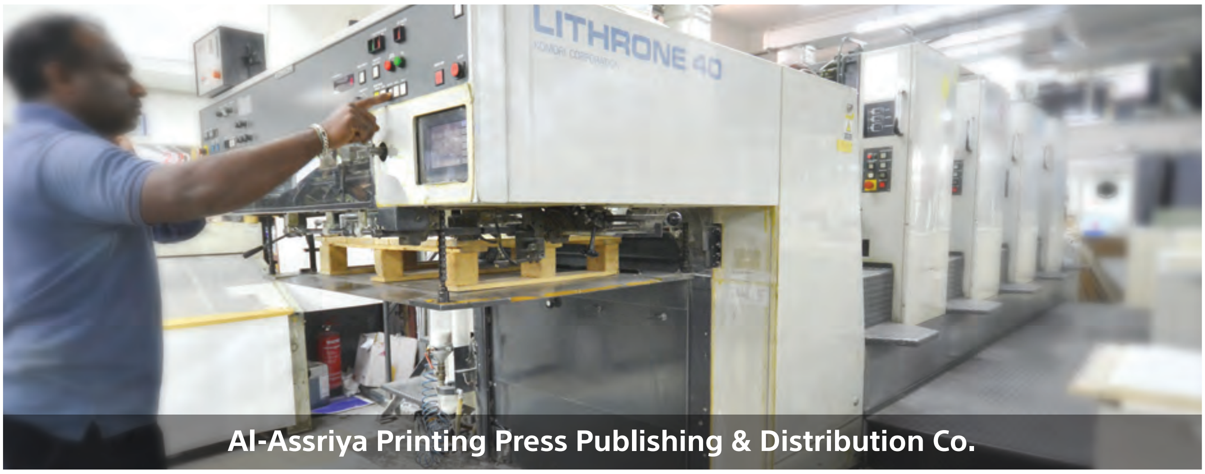
6- Carry out stock trading including sale and purchase of shares and bonds of local and international governmental institutions.

7- Provide all services that assist in development and reinforcement of the market's financial and monetary capabilities in Kuwait and satisfying its needs.

8- Form and manage all kinds of investment funds in accordance with the applicable law.

9- Manage and oversee the activities of Collective Investment Scheme acting as an "Investment Controller".

Subsidiaries, Assosiates & Key Investments of Al-Safat Investment Company



Al-Assriya Printing Press Publishing & Distribution Co.


Carpets Industry Co.


Middle East Chemical Manufacturing Co.


Dar Al-Safat General Trading Co.


Senergy Holding Co.

Subsidiaries of Al-Safat Investment Company:

Name of the Subsidiary	Ownership Percentage 2019
Al Safat Holding Company (Closed) KSCC	99%
Al Safat Consultant Company K.S.C. (Closed)	96%
Dar Al-Safat for General Trading Company W.L.L	99%
The Roots Brokerage - Egypt	60%
Al-Safat House for General Trading Company W.L.L	80%

Associates of Al-Safat Investment Company:

Name of the Associate	Ownership Percentage 2019
Asia Holding Company	21.7%
Senergy Holding Company K.S.C.P.	20.9%

Key Investments of Al-Safat Investment Company:

Name of the Company
Al-Qudra Holding Company - United Arab Emirates
OSOS Holding Group Company K.S.C.
Al Shuaiba Industrial Company K.P.S.C.
Kuwait Medical Center Holding Company K.S.C.

Board of Directors

Abdullah Hamad AlTerkait
Chairman

Fahad Abdul Rahman Al Mukhaizim
Vice Chairman

Abdul Muhsen Suliman Al Meshan
Board Member

Dr. Anwar Ali Al Naqi
Board Member

Mishaal Ahmed Al Jareki
Board Member

Abdul Razzaq Zaid Al Dhubayan
Board Member

Naser Bader Al Sharhan
Board Member

Abdullah Hamad AlTerkait - Chairman

Dear Shareholders,

Greetings,

On behalf of the board of directors, I welcome you to the General Assembly meeting. It's my pleasure to present to you Al Safat Investment Company's annual report for the year ending 31 December 2019. This includes the annual financial statements, the Corporate governance report, the Audit Committee report and the transaction report with the relevant parties, as well as reports relating to the Company's activities.

We are also pleased to share with you a brief on the achievements and steps that have been made towards the development of the company. We rely on your trust and support and hope that the achievements of the last year will act as an incentive for future growth in business and investment.

2019 Overview

2019 was a year full of challenges due to a difficult economical & operational market environment. These challenges motivated our management to take all necessary procedures to face & overcome all obstacles.

This has helped Al Safat Investments Co. to face its challenges and grow on the basis of its own efforts without relying on external sources of financing. The company also adopted a conservative

Board of Directors' Report for the year 2019

policy and continued in creating provisions to reinforce its financial position. Despite the great challenges we faced during the last five years, we reduced the risks of market fluctuations and the group succeeded in achieving profits for the fifth year in succession, while we are keen to solidify the company's position in the local market. We have made significant progress in our quest for sustainable revenue and diversification of investments, keeping the future in mind.

Over the past year, the group has been able to exit its investment in the Republic of China with a total value of approximately 20 million dollars and the group share of it was approximately 10 million US dollars.

Future Quest

With your confidence and continued support, Al Safat's management views the future with optimism and looks forward to further growth, development and reaching the goals set under difficult circumstances of the region. This requires us to multiply our efforts, perseverance in our work, and build a team of experts capable of meeting challenges and overcoming difficulties toward a sustainable company for years to come, God willing.

During 2019, the company's management, represented by the board of directors and executive management, worked to develop and adopt a future strategy and business plan for the next four years, to reflect the company's approach and its investment plans in terms of diversity and distribution. This will reflect positively on raising the company profits, its investors and the shareholders.

The futuristic vision of Al Safat Investment Co. aims to achieve excellence in the company's investments, under a strategy that achieves the highest quality, reaping growth, profits and achieving shareholder satisfaction by diversifying our business portfolio to solidify the company's position in the local market, with a promising future.

The group seeks to apply an ambitious plan of action and a new strategy by focusing on key strategic sectors to achieve the sustainable growth of its business and accelerating growth within it by seizing investment opportunities to achieve the maximum growth rates. During the past year, the group has succeeded in exiting some assets outside Kuwait, as the group seeks to achieve a stable and sustainable income of up to KD 2 million annually after the completion and development of real estate projects. The company also seeks to support its subsidiaries to achieve sustainable revenue through the prepared plans.

Ahmadi Project

Al Safat Group is developing a property in East Ahmadi Industrial area, Block 20, Plot 57 measuring 5000 square meters which is regulated by the industrial plots construction system, expected to be completed by the end of 2020 and once completed, the property will contribute to a good sustainable revenue for the group.

Al Safat Investment Company continued its policy of divestment from non-strategic investments, reinvestment in strategic sectors and instruments, as well as supporting the activities, expansion of affiliates and associate companies.

Al Safat Group also works to focus on various industrial, chemical and real estate activities through its subsidiaries, as we are currently working on research to operate a new chemical plant that will contribute to providing local market requirements. We are expecting one of our associate companies operating in the oil sector to obtain a good share in the local oil service market and industry in the coming period. Besides the Ahmadi project which is currently under development, we are working on future expansions in the industrial sector which will contribute to obtaining new tender contracts with government agencies and the private sector.

Overview of 2019 Financial Statements

The effective strategy of Al Safat Investment Company contributed to profitability for the fifth year in succession, as the company earned a profit for the financial year ending 31 December 2019 amounted to KWD 866,511, which is equivalent to KWD 3.38 Fils per share compared to KWD 1,149,042, which is KWD 4.49 Fils per share for the financial year ending December 2018.

The total assets of the group as at 31 December 2019 amounted to KWD 57,548,841 compared to KWD 54,271,283 as at 31 December 2018 at 6.04 %.

The shareholder's rights of the parent company amounted to KWD 20,621,049 as of 31 December 2019, with a parent company book value reaching 80.51 Fils per share and the retained earnings increased by 20.04% to reach KWD 4,219,103.

The group's total liabilities as of December 31, 2019 amounted to KD 28,636,257 including a credit agency of KD 21,089,883 with QNB.

As for the latest updates of Qatar National Bank case, a ruling was issued by the Court of Cassation on 21/03/2018 to challenge the ruling (No. 2013/2701 Commercial Appeal) by returning the case files to the appointed experts in addition to appointing a triple committee to look into settling the conflict between the two parties. This settlement should be on the basis of Wakala investment taking in consideration that investments are subject to profit & loss principle.

The court also required a statement of all investment operations carried out by the company for the bank, and whether or not a profit was achieved, and What will be the percentage of the contesting bank from the profit.

In summary, the verdict is likely to reflect positively on the company›s legal position based on our legal consultants input; the appeal should result on returning these investments.

We hope for a complete closure to this case by closing the company's debts & liabilities file and starting a new era of business & financial gain.

The Corporate Governance

Al Safat Investment Group firmly believes that the judicious application of corporate governance principles and standards is the key of trust between the company, its shareholders and customers. The company is working to update its policies in cooperation with a well-known consultancy firm in Kuwait, in accordance with the highest standards internationally. In the last year we have completed periodic reviews, strengthened the Charter of the Board of Directors and Corporate Governance.

Social Responsibility

As a CSR initiative and to assist with the Ministry of Health's need for blood supply, Al Safat Investment Company organized a blood donation Campaign in October 2019 at its headquarters in Hawalli, in cooperation with Kuwait Central Blood Bank, in which 46 donors participated,

During that day the company hosted the bank's medical team from 9:00 am to 1:00 pm where volunteers participated not only from Al Safat Investment but also its subsidiaries, associate companies in addition to Al Safat Tower tenants.

Thanks and appreciation

In conclusion, I would like to thank our distinguished shareholders for their confidence and support to continue on our road to success and improve the companys business. I would also like to thank all members of the Board of Directors, the executive management and all the employees for their efforts to achieve the best results. Their efforts have helped to develop and implement professionalism and dedication of work to ensure the continuity of growth, performance development and achieve the desired returns, as well as the various regulators in the State of Kuwait (Capital Markets Authority; The Ministry of Commerce and Industry and the Central Bank of Kuwait) for their continued cooperation and efforts to cultivate and improve the financial market sector of the State of Kuwait.

Abdullah Hamad Al-Terkait
Chairman of the Board of Directors

Corporate Governance Report for the year 2019

Company Vision towards the Principals of Governance:

Corporate governance is one of the main outstanding features Al-Safat Investment Co. working towards its continuous implementation. The company is complying with standards and effective procedures to insure ideal application for the principals of governance.

Corporate governance secures transparency and integrity of business. It creates a proper environment where correct transactions are applied in addition to upmost protection of shareholders' interests, while creating a platform where healthy means of communications between the company & its associates take place.

The corporate Governance report is one of main communicative platforms between the company and its audience. It usually represented by group of regulations and procedures implemented to manage & Control Companies. It also coordinate the relations between Board of Directors, Executive Management, Shareholders and other related parties, in addition to implementation of corporate social responsibility activities.

This report will show ASICs compliance in this regard.

Rule 1:

Forming a Balanced Structure for the Board of Directors:

Board of director's diversity is one of the main factor of success especially in the current days, due to rapid progress in the business environment. Al Safat Board of Directors includes professional personals with careers full of experiences and skills which reflects positively on tasks & duties performed by the board.

Board of Directors of Al-Safat Investment Co consists of a suitable structure accommodating to the size and nature of company's activities, assigned tasks and responsibilities of members taking into consideration, the diversity of skills & professional and practical experiences. The Remuneration & Nomination committee verifies that board members and executive management is fulfilling all requirements efficiently and with integrity.

The Board of Directors of Al-Safat Investment Co. consists of seven members elected by the company's shareholders during the Ordinary General Assembly meeting held on 5th May 2019 for three years upon Kuwait Capital Market Authority approval on the elected names.

The Board of Directors consists of five non-executive members and two independent members.

The members of Board of Directors have academic qualifications, experiences and required skills that are needed for the company's activities according to the following schedule:

Member Name	Member Position	Qualification and Practical Experience	Date of election
Abdullah Hamad Al-Terkait	Chairman/ Non-Executive	- Bachelor Degree in Public Administration and Political Science. - Years of practical experience: 14 years.	5th May 2019
Fahad Abdul Rahman Al Mukhaizim	Vice Chairman/ Non-Executive	- Master of Business Administration. - Bachelor degree in Finance. - Years of practical experience: 24 years.	5th May 2019
Abdul Muhsen Sulaiman Al Meshan	Member/ Non-Executive	- Bachelor Degree in International Finance and Marketing. - Years of practical experience: 40 years.	5th May 2019
Nasser Bader Al Sharhan	Member/ Non-Executive	- Bachelor Degree in Political Science and Marketing. - Years of practical experience: 22 years.	5th May 2019
Mishal Ahmad Al Jareki	Member/ Independent	- Master of Business Administration with specialization in General and Strategic Management. - Bachelor Degree in Accounting. - Years of practical experience: 14.5 years.	5th May 2019
Dr. Anwar Ali Al Naqi	Member/ Independent	- Ph.D., Master and Bachelor Degree in Civil Engineering. - Bachelor Degree in Architecture. - Years of practical experience: 42 years.	5th May 2019
Abdul Razzaq Zaid Al Dhubayan	Member/ Non-Executive	- Bachelor Degree in Civil Engineering. - Years of practical experience: 15.5 years.	5th May 2019
Khawla Mohammad Awad Kandeel	Secretary of the Board	- Technical Certificate in Business Administration. - Years of practical experience: 22 years.	23rd Feb. 2014

The board of directors dedicate sufficient time to review all tasks & responsibilities assigned to them, board meetings assembles as per chairman's invitation

Board of Directors Meetings Log:

The board of directors held ten meetings in 2019

Member name	No. 1 dated: 15/1/19	No. 2 dated: 22/1/19	No. 3 dated: 28/2/19	No. 4 dated: 18/3/19	No. 5 dated: 2/5/19	No. 6 dated: 6/5/19	No. 7 dated: 4/8/19	No. 8 dated: 2/10/19	No. 9 dated: 13/11/19	No. 10 dated: 29/12/19
Abdullah Hamad Al-Terkait	√	√	√	√	√	√	√	√	√	√
Fahad Abdul Rahman Al Mukhaizim	√	√	√	√	√	√	√	√	√	√
Abdul Muhsen Sulaiman Al Meshan	√	√	√	√	√	√	√	√	√	√
Nasser Bader Al Sharhan	√	√	√	√	√	√	√	√	√	√
Mishal Ahmad Al Jareki	√	√	√	√	√	√	√	√	√	√
Dr. Anwar Ali Al Naqi	√	√	√	√	√	√	√	√	√	√
Abdul Razzaq Zaid Al Dhubayan	√	√	√	√	√	√	√	√	√	√

During 2019 no signed decisions were taken without the attendance of all board members.

Implementation of Required Coordination & Registration of Board Meetings Minutes.

Board of director's secretary is responsible for assisting the chairman in the Board of Directors various issues including the process of coordinating, regulating and attending Board of Directors meetings. The secretary shall assure meetings are compatible with the regulatory requirements by preparing meeting's agenda & sending invitations three days prior with the exception of emergency meetings. Secretary also documents board members discussions & discussions with accurate registration of voting logs insuring that all Board documents are safely kept.

The Board of Directors secretary responsibilities also includes assuring that Board of Directors is obligated with the approved procedures that related to passing the data for the members, committees and executive management under the supervision of chairman. It is needed to get the approval of board of directors to distribute these decisions for the various competent departments to apply and follow up the process of applying the decisions of Board of Directors.

In addition to that, the secretary of Board of Directors shall be responsible for registration procedures, coordination and keeping the minutes of committees' meetings. This process includes preparing, issuing the schedule of works and inviting the members for meetings upon the approval of committee's chairman. The secretary shall present the basic information for the members in every meeting and he shall embassies on the place and time of meeting. In addition, distributing the schedule of works and the supporting documents for each member in the committee.

These procedures shall include registering the names of members in the meetings, preparing the minute of each meeting for the committee to be presented for the appointed head of committee and its members to approve it. The secretary shall state the procedures and decisions that had been passed in each meeting in the minutes of committee's meeting.

Rule 2:

Proper Identification of Tasks and Responsibilities

Company policy on assigning responsibilities & duties to Board of Directors and executive management. In addition to scope of authority & power delegated to the executive management.

Al-Safat Investment Co. specified in details the tasks, responsibilities and duties of each member in board of directors and the executive management besides the powers and competencies that had been assigned for the executive management according to the policies and regulations that are approved by the Board of Directors. The statute of the company reflects the responsibilities of board of directors clearly to be matched with the instructions of regulatory entities. No specific party in the company shall have an absolute power and board of directors shall not issue any kind of unlimited authorizations. Board of directors especially the chairman shall perform the duties and responsibilities that had been assigned for them upon the regulations of corporate governance. It doesn't neglect the great role of the executive management which committed also to manage the assigned tasks and responsibilities upon the regulations of corporate governance.

Board of Directors Key Tasks & Responsibilities:

- Approving strategic goals, plans and important policies of the company & implementing periodic follow up to all approved files.
- Stating the annual estimated budget and approving the interim and annual financial statements prior to submittal to the regulatory authorities.
- Overseeing the main capital expenditures of the company, owning & disposing of assents.
- Insuring company compliance with internal rules & regulations.
- Assuring the accuracy and correctness of data and disclosed information according to the applicable policy of disclosure and transparency.
- Creating informative communication channels to inform of the company activities.
- Forming specialized sub committees steaming from Board of Directors with clear specification of each committee duties and responsivities.
- Defining the powers entrusted to each member of the executive management and supervising the implementation of each powers.

Board of Directors Achievements during 2019:

- Approving the annual financial statements for 2018 and quarterly reports of 2019 to be presented for the regulatory organizations.
- Approving new strategy and future work plan of the company for the following four years.
- Reforming board of directors and the affiliated committees.
- Following up with the executive management to insure effectiveness of the internal control systems that secure company's assets and keep the financial data and company's records accurate and safe. Following the regulations, systems and instructions during the process of following up and supervising the auditing tasks for the company's departments to measure the level of risks and avoiding it.
- Assessing the performance of Board of Directors during 2019. In addition to the self-assessment of

the members of Board of Directors and assessing the performance of executive manager during 2019. In addition to approving the assessment's result of affiliated committees members.

- Approving the International Financial Reporting Standard IFRS16 regarding lease contracts
- Approving the annual and estimated budget for 2019 and 2020.
- Activating the credit activity for the company that is submitted for the control of Central Bank of Kuwait. In addition to approving the updated policy of credit policy for the company and forming special committee for the credit activity.
- Recommending to take the proper procedures regarding notes mentioned in the field inspection report of Kuwait Capital Markets Authority.
- Assessing the performance of The Board of Directors in 2019 and approving the appraisal of the affiliated committees. In addition to assessing the role of the executive manager of the company.
- Approving the settlement and exit contracts from foreign investments.
- Approving the updated policy for combating money laundering and terrorism financing. In addition to approving the annual report for combating money laundering and terrorism financing that is issued from the compliance manager prior to sending this report to the Kuwait Capital Markets Authority. Approving the report of risk assessment (half-year).
- Resuming the reconstruction of the company's structure.
- Following up with Qatar National Bank case and its latest updates.

Required implementations to forming the specialized independent committees by the Board of Directors:

Board of directors had formed sub-committees to perform specialized tasks, the board also specified each committee power & agenda and insured its competency with experiences, practical and technical skills that enables them to manage the assigned tasks in the best way.

1. **Audit Committee:**

   Date of forming the committee: 6th May 2019

   The term of committee: related to the period of current Board of Directors.

   Members of committee:

   Mr. Fahad Abdul Rahman Al Mukhaizim (Chairman of committee)

   Mr. Dr. Anwar Ali Al Naqi (Vice Chairman)

   Mr. Nasser Bader Al Sharhan (Member)

   The number of meetings held in 2019: (8 meetings)

   Tasks and achievements of the committee within 2019:

   - Reviewing the interim financial statement (quarterly and annually) and the report of internal auditor to approve it initially before sending it for the Board of director to get the final approval. The committee will assure the accuracy of company's financial statement, independency and integrity of the external auditor who has independent opinion that is attached the annual report of the company.
   - Discussing and studying the notes that are mentioned in the report of external auditor.

- Presenting the reports of internal auditor for the company's departments and recommending to deal with the various notes that are included in the report.
- Approving the plan of internal auditing for the company's departments.
- Reforming the auditing committee and electing the chairman and deputy chairman of the company upon finishing the elections of Board of Directors.
- Upon the report of field inspection report that is issued from Kuwait Capital Markets Authority that recommend to appoint Director of Internal Auditing in the company (Mr. Hasan Qaqish).
- Recommending to appoint new external auditor for the company.
- Recommending board of directors to approve International Financial Reporting Standard "IFRS16" regarding lease contracts instead of adopting IFRS17.
- Reviewing and adopting the report of the internal control review (ICR) of the company for 2019, which is prepared by the Office of Al-Eiqi Legal Auditors in Kuwait that is sent to Kuwaiti Capital Markets Authority, then authorize the internal auditor to follow up and deal with the notes.
- Reviewing and approving the report of quality assessment for the internal audit department for the previous three years that had been prepared by KPMG Safi Al Mutawa Partners.
- Recommending to reappoint a specialized Internal Audit Office to assist the Internal Audit Manager to perform his duties and prepare internal audit reports for the various departments of the Company for the year 2019.
- Conducting the annual performance assessment for the members of the Committee for the year 2019 then submitting the results to board of directors to be approved.
- Approving to re-classify the terms of budget of second quarter of 2019 upon the request of external auditor.
- Approving the quarterly annual report that is received by legal internal auditor and authorizing him to follow up this matter with the departments of the company to deal with the notes.

2. Risk Committee:

Date of forming the committee: 6th May 2019

The term of committee: related to the period of current Board of Directors.

Members of committee:

Mr. Dr. Anwar Ali Al Naqi (Chairman of committee)

Mr. Abdul Muhsen Sulaiman Al Meshan (Vice Chairman)

Mr. Abdul Razzaq Zaid Al Dhubayan (Member)

The number of meetings held in 2019: (5 Meetings)

Tasks and achievements of the committee within 2019:

- Approving special strategy for risks that may face the company which specifies several types of risks. Authorizing the responsible person from risk department to follow up this strategy and applying it.
- Assisting board of directors in specifying and assessing the main risks of the company and verifying that the company is managing these risks efficiently and effectively.
- Following up and providing recommendations for the board of directors regarding risk report (half-year).

- Reforming the audit committee, electing the chairman and deputy chairman of the committee upon finishing the election of Board of Directors.
- Conducting the annual performance assessment for the members of the Committee and the director of risks department then submitting the results to board of directors to be approved.

3. Nomination and Remuneration Committee

Date of forming the committee: 6th May 2019

The term of committee: related to the period of current Board of Directors.

Members of committee:

Mr. Abdullah Hamad Al-Terkait (Chairman of committee)

Mr. Mishal Ahmad Al Jareki (Vice Chairman)

Mr. Nasser Bader Al Sharhan (Member)

The number of meetings held in 2019: (3 Meetings)

Tasks and achievements of the committee within 2019:

- Preparing the formats of annual assessment for the members of Board of Directors, members of the committees and the executive manager for 2019. Theses formats shall be filled and the results of assessment shall be sorted upon approving it from the Board of Directors.
- Conducting the annual performance assessment for the members of the Committee then submitting the results to board of directors to be approved.
- Reviewing and approving the remuneration report of the members of Board of Directors and the executive management within the year.
- Approving the committee for the nominees of Board of Directors membership upon verifying that they are satisfied with all the conditions and requirements according to efficiency and integrity that are determined by Kuwaiti Capital Markets Authority.
- Studying the independency requirements that should be fulfilled by the independent member in board of directors and accepting to specify two members in board of directors as independent members.

4. Provision Committee:

Date of forming the committee: 6th May 2019

The term of committee: Depending on the decision of Board of Directors.

Members of committee:

Mr. Abdul Razaq Zaid Al Dhubayan (Chairman of committee)

Mr. Hasan Mahmoud Qaqish (Member and Reporter of committee)

Mr. Herarld Leo Fernandes (Member)

The number of meetings held in 2019: (1 meeting)

Tasks and achievements of the committee within 2019:

Proving and approving the allocations of the related members and other debts.

Proving and approving the additional allocation which is related to the fees of administrating the investment portfolios for the company's clients.

5. The Executive Committee:

Date of forming the committee: 25 Sep. 2016

The term of committee: Depending on the decision of Board of Directors.

Members of committee:

Mr. Fahad Abdul Rahman Al Mukhaizim (Chairman of committee)

Mr. Abdullah Hamad Al-Terkait (Vice Chairman)

Mr. Nasser Bader Al Sharhan (Member)

Mr. Mishal Ahmad Al Jareki (Member)

The number of meetings held in 2019: (None)

Tasks and achievements of the committee within 2019: (None)

6. Credit Committee:

During the year 2019, board of directors re-elected the members of the Credit Committee and adopted a working charter that clarifies its responsibilities and powers, based on the decision of board of directors to activate the financing activity of the company and subject to the supervision of the Central Bank of Kuwait.

The committee did not meet during the year 2019, as no customer requested credit facilities during the year.

Brief on how to implement the requirements that allow Board Members to obtain information and data in an accurate and timely manner:

The company has an effective mechanism that allows members of board of directors in general and non-executive and independent board members in particular to obtain all the basic data and information that enables them to carry out and implement their duties through coordination with the secretary of the board of directors, and in accordance with relevant laws and legislations

Rule Three

Select persons with competence for board membership and executive management

Brief about applying the requirements for forming the Nomination and Remuneration Committee:

Board of directors formed the Nominations and Remunerations Committee, which is independent and specializes in preparing recommendations related to the nominations, positions of members of the Board of Directors, the executive management, policies and regulations, granting compensation and bonuses, provided that the membership period is three years unless board of directors decides otherwise, and it consists of three non-executive members, including the Chairman of the Committee, in addition, one of the members of the Nomination and Remuneration Committee is an independent board member. Board of directors is also keen that the Nomination and Remuneration Committee perform the tasks and responsibilities to be adhered to in accordance with what is stipulated in the corporate governance rules, and that the committee meet regularly at least once every year and when needed.

The nomination mechanism in place within the company guarantees the continuity of selecting and attracting competencies to join either to run for membership in board of directors or the executive management. Board of directors has formed a Nomination and Remuneration Committee in accordance with the governance rules. The formation of the Committee includes an independent member, and board of directors has approved that the Committee's work charter approved by board of directors includes the following:

- Recommendation to accept the nomination and re-nomination of the Board Members and the executive management
- Setting a clear policy for the remuneration of the members of board of directors and the executive management
- Determine the required skills requirements appropriate to the membership of board of directors and review these requirements annually.
- Attract applications for those wishing to occupy executive positions as needed, and study and review these requests.
- Define the different tiers of rewards that will be awarded to employees
- Prepare job description for the executive board members, non-executive members, and independent members.
- Propose the nomination and re-nomination of members for elections by the General Assembly and ensuring that the independence status of independent members is not eliminated.
- Defining the mechanisms of evaluating the performance of the board and the performance of each member and the executive management.
- Define the indicators for measuring the performance of the Council and review these indicators annually.
- Review and suggest training programs and workshops for members of the Board of Directors.
- Reviewing the payroll and job grades periodically
- Prepare a detailed annual report on all bonuses granted to members of board of directors and the executive management, whether they are amounts, benefits, or advantages, whatever their nature and name, provided that this report is presented to the company's general assembly for approval.

Remuneration report granted to members of board of directors and executive management

A separate report on the bonuses and benefits granted to members of board of directors and the executive management of Al-Safat Investment Company and its subsidiaries was prepared during the year 2019.

Rule Four

Ensuring the integrity of Financial Reports

Written pledges by board of directors and the Executive Management of the integrity of the financial reports prepared.

From the contents of the company's annual report, we provide you with written pledges to both the board and executive management of the integrity of the financial reports prepared.

Brief on applying the requirements for the formation of the audit committee

The primary role of the audit committee is to supervise all audit matters and ensure the integrity of financial reports and internal control systems. The Audit Committee performs the following tasks, without limitation:

- Review all periodic and annual financial statements prior to their presentation and recommending them to the Board of Directors.

- Recommend to board of directors to appoint external auditors.
- Study and review the notes on the financial statements and request the executive management to work to amend them, if necessary.
- Recommend to board of directors to appoint the director of internal audit, and to review and approve the internal audit plans.
- Review the results of the internal reports and ensure that all necessary corrective actions are taken
- Review the results of the inspection of the regulatory authorities on the company and taking the necessary measures to correct the observations
- Review matters related to the nomination of the external auditor and recommending that to the Board of Directors
- Recommend to assign an independent audit office to evaluate and review internal control systems, and prepare a report in this regard (Internal Control Report)
- During 2019, there was no inconsistency between the recommendations of the Audit Committee and the decisions of the Board of Directors.

Independence & Impartiality of the External Auditor

- On 05 May 2019, the Ordinary General Assembly approved the appointment of the company's external auditor for the year 2019, Mr. Badr Adel Abduljader from Al-Aiban and Al-Osaimi office (Ernst & Young).
- The external auditor of the company is registered with a special register with the Capital Markets Authority, which is independent of the company and its board of directors, the external auditor is invited to the general assembly meetings, and the report prepared by him is read out to the shareholders, and the external auditor is allowed to attend and discuss his views with the audit committee before submitting the annual and interim financial statements to the Board for decision.

Rule Five

Establish Appropriate Systems for Risk Management & Internal Control

Requirements for the formation of an independent risk management department:

The company has an independent risk management department that works to identify, measure and follow up on the risks to which the company is exposed and put effective systems and procedures to be approved by the risk committee. It also reviews deals according to the rules of governance. The risk management consists of qualified human cadres who have professional competencies and technical capabilities. Those responsible for risk management also enjoy independence through their direct subordination to board of directors as reflected in the organizational hierarchy of the company, as well as enjoying a large amount of powers without granting them financial powers and authorities.

Requirements for the formation of a risk management committee:

In addition, the company's board of directors formed the risk committee, which is independent and specializes in risk management, so that its primary role is to set policies and regulations to manage the risks according to what is consistent with the company's tendency to bear the risks facing the company, provided that its membership period is three years unless board of directors sees otherwise, and it is formed of three non-executive members, including the Chairman of the Risk Committee, and the Chairman of board of directors is not a member of it. The Risk Committee performs the tasks and responsibilities to be adhered to as stipulated in the rules of corporate governance, and the Risk Committee meets at least four meetings during the year with transcribing minutes of its meetings.

The main role of the Risk Committee is to supervise all matters related to risk management, and to contribute to the development of policies and regulations and contribute to the development of risk management policies and regulations consistent with the company's tendency to take risks, in addition to the Committee's implementation of the following requirements:

- Review the company's risk management policies and procedures and recommending them to the Board for approval.
- Evaluate the systems and mechanisms for identifying, measuring and following up the types of risks that the company may be exposed to.
- Ensure the independence of the risk management staff and that they have a full understanding of the risks surrounding the company
- Review reports related to risks, which are sent to the Capital Markets Authority periodically, and working to give crisis solutions and follow-up with risk management to address the risks mentioned in the reports.
- Review the issues raised by the risk audit committee.

Internal Control and Control Systems:

Al-Safat Investment Company has put effective control systems, procedures and tools for risk management and internal control to cover all the company's activities. The company is also constantly developing periodic reporting systems for all departments operating in the company as it is one of the most important effective tools in the process of monitoring performance, control and risk reduction, and that by applying the principle of dual control to ensure proper identification of powers and responsibilities, complete separation of duties and non-conflict of interests. The company also has the Supervision and Internal Auditing Department, and board of directors is keen to activate its role and support to ensure the achievement of the highest level of internal control

The company also has a department for compliance and integrity that includes many distinct skills and expertise to ensure compliance with all laws and regulations, and is one of the most important tools of internal control and control within the company and works in cooperation with the audit and risk management department to ensure the application of the procedures of examination and dual control and board of directors is keen to activate its role continuously.

Requirements for forming an independent internal audit department:

Al-Safat Investment Company has an independent audit department that works to ensure the adequacy of the company's internal control and internal control systems. The audit department consists of qualified human cadres who have professional competencies and technical capabilities. Those responsible for the audit department also enjoy independence through their direct affiliation with the audit committee and by extension to board of directors as reflected in the organizational hierarchy of the company, as well as they have a large amount of powers, including the financial powers to maintain the financial situation of the company, the accuracy of its data and the efficiency of its operations in various aspects.

Rule Six

Promoting professional behavior and ethical values:

Standards and determinants of professional behavior and ethical values:

Al-Safat Investment Company has prepared a charter of work conduct for board of directors in addition to a work charter for employees in all departments, administrative and functional categories, internal policies and other guidelines for compliance with the laws governing the company's operational operations. Board members are expected to make rational judgments in all matters to ensure the protection of the interests of clients, employees and other stakeholders and to maintain an effective, positive, harmonious and productive work environment based on cooperation.

Board of directors and the Executive Management and all employees are bound by the Code of Business Conduct while assuming the tasks and responsibilities assigned to them, including this dealing with honesty and integrity, maintaining the confidentiality of information, and allocating sufficient time to assume specific responsibilities, among others.

Policies and mechanisms for reducing conflicts of interest:

The company exerts due diligence in the application of policies with the aim of avoiding conflicts of interest, as the company has an approved policy that provides for reviewing all transactions of related parties on a regular basis to ensure fair practices and good conduct on the part of members of board of directors and employees, knowing that the board is monitoring and treating any potential interest that conflicts with the business interests of the company.

The company's board of directors has adopted a conflict of interest policy that aims to ensure the application of appropriate procedures to discover cases of fundamental conflict of interest and deal with them effectively. This policy is an integral part of the company's full commitment to integrity and fairness in dealing with stakeholders, and the policy set out the principles for dealing and managing cases Conflicts of interests, the concept of conflicts of interests, and parties whose interests conflict with the interests of the company, as well as the roles of the board of directors, executive management, compliance management, compliance, internal audit, and the general assembly of the company with regard to conflict of interests, as well as the mechanism of disclosure.

Rule Seven

Accurate and timely disclosure and transparency:

Accurate and transparent presentation and disclosure mechanisms that define the aspects, areas and characteristics of disclosure:

Board of directors has organized disclosures for all members of the Board of Directors, executive management and potential investors through a record of their disclosures available for review by all the shareholders of the company to view it through the Investors Affairs Unit without any fee or charge. This record is updated periodically to reflect the reality of the related parties.

Requirements for Board Members and Executive Management Disclosure Record:

Board of directors has set timely, accurate and transparent presentation and disclosure mechanisms as follows:

- Board of directors has put in place presentation and disclosure mechanisms to comply with corporate governance rules.
- The company has established a record of disclosures of board members and executive management.
- The company established the Investors Affairs Unit to be responsible for making available and providing the necessary data, information and reports to its potential investors. Investors Affairs Unit has the appropriate independence to follow directly to the Board of Directors, and in a way that enables it to provide data, information and reports in a timely and accurate manner, and that this should be done through common means of disclosures, including the company's website.
- The company has also developed the infrastructure for information technology and relied heavily on it for disclosures. A dedicated corporate governance section is available on the company's website.

Requirements for forming an Investor Affairs Unit:

On 25 December 2018, Company's Board of Directors appointed Mr. Abdulaziz Abdel Muhsen Al-Meshan as Investor Affairs and Social Responsibility Unit official to implement and complete the tasks of board of directors of Al-Safat. He will establish a special unit to organize the affairs of investors in compliance with the provisions of the corporate governance rules. Work has been done on preparing policies and procedures for the unit's operation, so that it regulates the mechanism for dealing with investors and is responsible for providing the necessary data, information and reports to investors and shareholders, through recognized disclosure methods.

IT Infrastructure Development:

Al-Safat Investment Company uses information technology to facilitate disclosure procedures so that it is interested in using the information technology infrastructure in the disclosure process, as the company has several mechanisms in place to record and submit financial and non-financial data, including the company's website that provides all relevant information to current and potential investors accurately and timely.

Rule Eight

Respecting the rights of shareholders:

Requirements for defining and protecting the general rights of shareholders:

Al-Safat Investment Company follows some rules to ensure fairness, equality, and transparency for all shareholders, where board of directors formulated a policy for shareholders that would enable shareholders to exercise their rights in a conscious manner; this includes providing all information related to the company in a fair, systematic and easy manner, including the company's financial performance, goals and plans strategy, corporate governance and risk profile. Shareholders are also encouraged to participate actively in the meetings of the company's assemblies by sending the necessary invitations to shareholders including the agenda, the necessary attachments, and the time and place of the meeting; as well as stating the shareholders 'rights by exercising the right to vote without any obstacles.

Some shareholders' equity includes, but is not limited to, the following:

- Right to receive dividends.
- Right to obtain a portion of the company's assets in the event of liquidation in accordance with the provisions of the Companies Law.
- Right to obtain information and data related to the company's activities and strategy on a regular basis.
- Right to participate in general assembly meetings and to vote according to laws and regulations.
- Right to vote while voting for the membership of the Board of Directors.
- Right to monitor the performance of the company in general and board of directors in particular.
- Right to hold members of board of directors and executive management of the company accountable in accordance with the provisions of the Companies Law.
- Right to record the value of shares held
- Right to register, transfer and assign ownership of shares.
- Right to review the shareholder register.

Create a private record kept with the clearing agency:

A private record of shares and shareholders 'data is kept with the Kuwait Clearing Company in accordance with the rules of corporate governance, and the Investor Relations Officer maintains an updated copy of the shareholder's record periodically. The record is available to all shareholders for review at the specified dates, in accordance with the law, and without any fees

Encouraging the shareholders to participate and vote in the meetings of the company's assemblies:

Al-Safat Investment Company allows its shareholders to participate effectively in the general assembly meetings, and discuss the topics on the agenda, and shareholders have the right to vote on the decisions of the general assembly, whether on behalf or by agency, and all information regarding voting rights is provided to all potential shareholders and investors, permanently and continuously.

The company sent an invitation to the shareholders during the year 2019 to attend the ordinary general assembly meeting, based on the rules and laws regulating and issued by the regulatory authorities. The company, when organizing the general meetings of the shareholders, shall send an invitation to attend the general assembly that includes the agenda and determines the meeting time and location by advertising twice in daily newspapers of the State of Kuwait. The company also provides the shareholders with sufficient time before the General Assembly all the information and data related to the agenda items, particularly the reports of the Board of Directors, the auditor and the financial statements.

Rule Nine:

Understand the role of stakeholders

Systems and policies that protect and recognize the rights of stakeholders

Al-Safat Investment Company has put in place the systems and policies that protect the rights of stakeholders as follows:

- The company has a policy that includes rules and procedures that ensure protection and recognition of the rights of stakeholders and allow them to obtain compensation in the event of any violation of their rights, according to what is stated in the rules of corporate governance.
- None of the stakeholders obtains any advantage through dealing in contracts and deals that fall into the Company's regular activities.
- The company has internal policies and regulations that include a clear mechanism for awarding contracts of various kinds, through tenders or various purchase orders. This mechanism is fully disclosed.
- The company shall work to encourage the stakeholders to participate in following up the various activities of the company in a manner consistent with achieving its interests in full according to what is stated in the rules of governance.

Encourage stakeholders to participate in following up the company's various activities

Board of directors of Al-Safat Investment Company has performed its responsibilities effectively so that it has worked to create effective communication channels to build the required trust between the stakeholders, the executive management and the Board of Directors. Among the communication channels, financial reports must be prepared in a timely manner in accordance with the rules of the Capital Markets Authority and any other regulatory authorities. The company provides the information, data, books, records and tools required from the relevant stakeholders in accordance with the applicable laws and regulations.

Al-Safat Investment Company is subject to the set of laws, regulations and instructions issued by the relevant regulatory authorities. It is the responsibility of board of directors to ensure that the company adheres to these laws, regulations and instructions. The company also guarantees the protection of the rights of stakeholders; it also expects all stakeholders to fulfill their obligations governed by contracts, laws and regulations issued by the relevant regulatory authorities

Rule Ten

Enhance and improve performance

Mechanisms that allow the members of board of directors and the Executive Management to obtain continuous programs and training courses.

Al-Safat Investment Company has put in place mechanisms for each of the members of board of directors and the Executive Management to obtain training programs and courses on an ongoing basis, according to what was stated in corporate governance. For each of the current members of board of directors and executive management and work to encourage these programs, workshops and conferences related to the company's work to develop their skills and experiences and keep abreast of developments in a way that helps them to perform the tasks assigned to them.

Evaluating the performance of board of directors and the performance of each member and executive management

The company worked on setting policies and systems and evaluating the performance of each member of board of directors and executive management periodically. It also create a set of performance measurement indicators related to the extent of achieving the strategic goals of the company and the quality of risk management and the adequacy of internal control systems, so that performance indicators can determine points of strength, weakness and suggestion to address them in line with the company's interest

During the fourth quarter of 2019, a performance evaluation was conducted for each of the Board of Directors, its members and the committees emanating from it, in addition to evaluating the performance of the CEO of the company, through performance evaluation forms prepared by the Remuneration and Nominations Committee. Board of directors worked on approving all evaluation results in compliance with what it has been stipulated in corporate governance and internal policy.

The efforts of board of directors to create institutional values for the employees of the company

In the interest of Al-Safat Investment Company to create institutional values of the employees of the company through permanent work to achieve the strategic goals of the company and improve performance rates and adhere to the laws and instructions on the governance rules. The company provided the integrated report systems to help achieve the strategic goals of the company and create institutional values according to what was stated in the governance rules.

AL SAFAT
شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

Rule Eleven

Focus on the importance of social responsibility

Policy that ensures a balance between both the company's goals and society's goals

Al-Safat Investment Company is committed to achieving alignment with its work and strategy on the one hand and with responsibility towards the environment, society and major stakeholders. This policy aims to give the company, in the context of its management of social responsibility, including the achievement of sustainable development of society and workers by contributing towards reducing the level of unemployment in society and achieving optimal use of available resources. The company also seeks to enhance and achieve knowledge and awareness among its employees of the importance of social responsibility programs through various programs of communication with workers and communication tools.

On 27 October 2019, Al-Safat Investment Company, in cooperation with the Central Blood Bank, organized a day to donate blood, in response to the call of the national duty, to fulfill the need of the Ministry of Health from the blood supply to serve the humanitarian and emergency cases, and benefit the community as a whole and is considered one of the responsibilities of the community companies that must be followed regularly because it benefits not only at the community level, but also on the blood donor himself.

The social responsibility of the private sector has become part of the strategy of many private sector companies through which different groups or distinctive community projects are supported with a clear institutional framework that follows corporate governance regulations and the country's laws. The social responsibility activities of the Al-Safat Investment Company aim to support students in various higher education institutions in the country in addition to the youth segment, expressing that the private sector is betting on Kuwaiti youth in its growth.

The programs and mechanisms used to highlight the company's efforts in the field of social work.

Al-Safat Investment Company has prepared the policies that guarantee the mechanism of disclosure of the social responsibility goals that the company carries out for its employees. Awareness and educational programs are implemented for the employees of the company to ensure their familiarity with the social responsibility goals that the company carries out continuously in a way that contributes to raising the level of the company. In addition to involving workers in the implementation of the social responsibility program by contributing to the various social activities carried out by the company.

Abdullah Hamad AlTerkait

Chairman of Board of Directors

Audit Committee Report for the year 2019

The audit committee that is affiliated to the board of directors for 2019 managed to follow up the execution of policies and procedures approved by board of directors related to accurate internal audit. The committee held its periodic meetings to manage and measure the effectiveness of internal control, discussing notes and presenting reports to the committee from all company's department to achieve mutual control. The committee met the internal auditor to discuss the related reports of the company's departments. In these meetings, they discussed various supervisory notes that were issued from the internal auditor. They reviewed previous notes and the extent of response to these notes to realize the risk factors and obstacles that may face the company and how to avoid these risks. The meeting confirmed that supervisory work was completed in all departments correctly, assuring availability of human cadres and the appropriate regulatory tools to achieve effective internal control.

The audit committee reviewed audit's suggested work plan while keeping continuity of periodic meetings according to the agreed upon schedule of annual meetings keeping in mind all updates related to policies and the procedures of internal control.

Data & Financial Reports:

The audit committee reviews and supervises the external auditor's report regarding financial statements of the company quarterly & annually before recommending them to Board of Directors. The committee shall meet the auditors to ascertain the validity of the financial statements under complete independence and integrity of external auditor. The external auditor's final opinion should be attached to the annual report of company.

Regulatory Obligations:

Upon the requirements of Kuwait Capital Market Authority, the audit committee had taken necessary steps to execute and implement the corporate governance regulations, including constant updates to current auditing procedures in addition to proper meetings minutes registry. An official contract with an external auditor licensed by Kuwait Capital Market Authority was recommended. The committee selected Mr. Bader Adel Abdelqader (Ernst and Young, Al Aiban - Al Osaimi &. Partners) office for this task.

The committee assured compliance of Board of Directors and Executive Management to provide upmost level of transparency of the annual financial statements and relevant financial reports for the year ended 31st Dec. 2019 which includes various financial aspects of the Company's operational progress prepared in accordance with International Financial Reporting Standards.

The Audit Committee evaluates status of Company's internal audit systems continuously to ensure its compliance with regulations, best market practices, corrective action plans and key performance indicators specified by the Internal audit administration.

During the year 2019, the Audit Committee held its periodic meetings (8 meetings) to manage and measure the effectiveness of the internal control systems, in the presence of both external auditors of the company and Director of Internal Audit. The most significant achievements of the committee within the following year:

- Reviewing interim and financial statements (quarterly and annually) in addition to the report of external auditor to initially approve then recommend to Board of Directors for the final approval.
- Confirming company's financial statement validity and absolute independence of the external auditor opinion.
- Discussing and studying all external auditor's comments mentioned in the report.
- Presenting internal audit report concerning various departments & following up with all comments included in the reports.
- Approving the company's internal audit plan.
- Reforming the audit committee and electing its chairman and vice chairman upon board of director's elections completion.
- Assigning the company's director for internal audit Mr. Hasan Qaqish as per the report of field control for Kuwait Capital Market Authority.
- Recommending to assign new external auditor for the company.
- Implementing the International Financial Reporting Standard IFRS16 regarding lease contracts instead of IFRS17.
- Reviewing and adopting the report of (the Internal Control Review ICR) of the company for 2019 prepared by Al-Eiqi Legal Auditors in Kuwait and sent to Kuwaiti Capital Markets Authority. The internal auditor shall be authorized to deal with the notes.
- Reviewing and approving internal audit's quality assessment report implemented in previous three years, prepared by KPMG Safi Al Mutawa Partners.
- Recommending the reappointment of a specialized Internal Audit Office to assist the Internal Audit Manager in performing his duties and prepare internal audit reports for the various departments of Company for 2019.
- Conducting the annual performance assessment for the members of committee (2019) to submit the results for Board of Directors to be approved.
- Approving to re-classify the terms of budget for second quarter of 2019 upon the request of external auditor.
- Approving the quarterly annual report that is received by legal internal auditor who is authorized to follow up this matter with the departments to deal with the notes.

In conclusion, Audit Committee found upon its follow-up, control, reviewing the auditors' reports and the applied internal control system that Al-Safat Investment Company has an appropriate control environment for its activities and it is not confronting the company's objectives. The company is achieving a progress in the effectiveness of monitoring system and compliance with the regulations that are issued by the regulatory authorities in the State of Kuwait.

Fahd Abdul Rahman Al Mukhaizim	State of Kuwait
Chairman of the Audit Committee	Date: 18/02/2020

Board of Directors Undertaking

We, the chairman and members of the Board of Directors of Al-Safat Investment Company KSC, hereby assure the accuracy and integrity of the financial statements as of 31 December 2019 except omission and error, and that the financial reports of the company have been presented fairly, properly and according to the International Financial Reporting Standards applicable in the State of Kuwait according to such information and reports as have been received by us from the Executive management, auditors and that due care has been made to verify the integrity and accuracy of those reports.

Chairman
Abdullah Hamad Al-Terkait

Vice Chairman
Fahad Abdul Rahman
Al Mukhaizim

Member of the Board of Directors
Abdul Muhsen Sulaiman
Al Meshan

Member of the Board of Directors
Nasser Bader
Al Sharhan

Member of the Board of Directors
Dr. Anwar Ali
Al Naqi

Member of the Board of Directors
Mishal Ahmad
Al Jareki

Member of the Board of Directors
Abdul Razzaq Zaid
Al Dhubayn

Executive Management Undertaking

To Chairman and Members of the Board of Directors,

With reference to the above-mentioned subject, and in accordance with the requirements of the Kuwait Capital Markets Authority, we assure that the consolidated financial statements of Al-Safat Investment Company KSC, the parent company and its subsidiary companies for the financial year ended 31 December 2019, are presented in a sound and fair manner except omission and error, that they show all the Financial aspects of the company in terms of operating data and results, and have been prepared according to the International Financial Reports Standards as approved by the Kuwaiti Capital Markets Authority.

The Executive Manager
Ahmed Fathy Abouzeid

Acting/ Financial Manager
Herarld Leo Fernandes

Shariah Audit Committee Report for the year 2019

MANDR
Date : 19/02/2020

The Sharia Report of Al-SAFAT INVESTMENT CO.
Fatwa and Shariah Supervisory Board
<u>For the period from 01/01/2019 to 31/12/2019</u>

To: The Shareholders of Al-Safat Investment Company.

Peace, mercy and blessings of Allah be upon you.

According to the contract signed with us we at Fatwa and Shariah Supervisory Board in Al Mashora and Al Raya have audited and supervised the principles adopted and the contracts related to the transactions concluded by the Company during the period from 01/01/2020 to 31/12/2020. We have carried out the necessary supervision to give our opinion on whether or not the Company has complied with the Islamic Shariah rules and principles as well as the Fatwas, decisions and guidelines made by us.

However, our liability is limited to the expression of independent opinion on the extent of the company compliance with same based on our audit.

Our supervision included examining the contracts and procedures used by the Company on the basis of examining each type of operations.

Shariah Audit Committee Report for the year 2019 (continued)

In our opinion, the contracts, operations and transactions concluded or used by the Company during the period from 01/01/2019 to 31/12/2019. and which have been reviewed by us, were in compliance with the provisions and principles of the Islamic Shariah.

We wish the Company all success and prosperity in serving our religion and our country.

Peace, mercy and blessings of Allah be upon you.

Prof /Abdul Aziz k. Al-Qassar
Chairman of the Sharia Committee

Dr. Essa Zaki Essa
Sharia Committee Member

Dr. Ali Ibrahim Al-Rashed
Sharia Committee Member

التاريخ: ٢٠٢٠/٠٣/٠١م

السادة/ شركة الصفاة للاستثمار المحترمون

الموضوع : تقرير التدقيق الشرعي الخارجي للفترة المالية ٢٠١٩/٠١/٠١ ـ ٢٠١٩/١٢/٣١

السلام عليكم ورحمة الله وبركاته ،،،

وفقاً إلى عقد الإرتباط الموقع معكم فإن شركة التدقيق الشرعي الخارجي تقوم على أعمال الشركة للتأكد من إلتزامها بالمعايير المعتمدة أو بالقرارات والفتاوى الصادرة عن هيئة الرقابة الشرعية.

ولجعل عملية التدقيق الشرعي الخارجي أكثر كفاءة وفعالية فإن إجراءات التدقيق على العمليات التنفيذية للمؤسسات المالية الإسلامية تتم وفقاً لمعايير التدقيق الشرعي لشركتنا واستناداً إلى نظام ممارسة مهنة المراجعة التي تتطلب قيامنا بالتخطيط وتنفيذ أعمال التدقيق للحصول على تأكيد معقول لموافقة العمليات التنفيذية للمؤسسات المالية الإسلامية للمعايير المعتمدة أو لقرارات هيئة الرقابة الشرعية.

الممثل القانوني والمدقق الشرعي

ضاري ليث العتيقي

2 Shariah External Audit Report for the year 2019 (continued)

نطاق العمل:
فإن نطاق العمل يتحدد من مدى التزام شركة الصفاة للاستثمار في تنفيذ العقود والمعاملات طبقاً لقرارات هيئة الرقابة الشرعية.

مسؤولية الشركة:
تقع مسؤولية الشركة الإلتزام بتنفيذ جميع أعمالها المعتمدة طبقاً لأحكام الشرعية الإسلامية من قبل الإدارة.

مسؤولية التدقيق الشرعي الخارجي:
إن مسؤوليتنا تنحصر في إبداء رأي مستقل في مدى مطابقة معاملات الشركة وأنشطتها وجميع أعمالها لأحكام الشريعة الإسلامية وفقاً لقرارات هيئة الرقابة الشرعية للشركة.

مهام التدقيق الشرعي الخارجي:
لقد قمنا بالتخطيط لأعمال التدقيق الشرعي الخارجي ولتحقيق العمل المطلوب قمنا بالآتي:

- فحص مجالات التدقيق .
- وضع سياسة أسلوب التدقيق (العينة / شامل) طبقا لنوع المجال.
- الإطلاع على تعاملات الأوراق المالية التي تم فحصها.
- الجهات المسؤولة في الشخص المرخص له عن إجراء التعاملات التي تم فحصها ومراحل إنجازها.
- القواعد المرجعية لتلك التعاملات (المعايير المعتمدة ، قرارات هيئة الرقابة الشرعية).
- وضع الحلول الشرعية للمخالفات – إن وجدت – سواء في التعاملات المالية أو تنفيذها.
- الزيارات الميدانية والمراسلات وغيرها وفق الجداول والنماذج المعدة لذلك.
- إجراءات التدقيق التي أدت للتوصل لنتائج أعماله الواردة في التقرير.
- الإطلاع على التقرير الشرعي الداخلي.
- الإطلاع على العقود والعمليات المعتمدة.
- التنسيق مع الجهات المسؤولة عن إجراء العمليات بجميع طرق التواصل.
- توقيع المدقق الشرعي والممثل القانوني.

الجهات المسؤولة في الشخص المرخص له إجراء التعاملات التي تم فحصها ومراحل إنجازها:

- **إدارة الاستثمار المباشر**
- **الإدارة المالية**
- **إدارة الأصول**
- **إدارة العمليات**
- **إدارة التدقيق الداخلي**
- **إدارة المخاطر**
- **إدارة الخدمات المساندة.**
- **إدارة المطابقة والالتزام.**

مجالات تم التدقيق عليها :

لقد قمنا بالإطلاع والمراجعة على:

- تقرير التدقيق الشرعي الداخلي.
- تقرير هيئة الرقابة الشرعية.
- البيانات المالية ومرفقاتها.
- الحسابات المفتوحة لدى البنوك.
- الأنشطة المستثمر بها.
- تعاملات الأوراق المالية.
- وتوزيعات الأرباح.
- العقود المنفذة وعددها (١٩).

وكما قمنا بالتواصل مع إدارة الشركة والزيارات الميدانية خلال الفترة المذكورة في تاريخ ٢٠٢٠/٠٣/٠١ وعددها (١).

وتم الحصول على التفسيرات والإقرارات التي زودتنا بأدلة تكفي لإعطاء تأكيد معقول بمدى التزام معاملات الشركة وأنشطتها وتعاملات الأوراق المالية بقرارات هيئة الرقابة الشرعية للشركة والتي نعتقد بأن أعمال التدقيق التي قمنا بها توفر أساسا مناسباً لإبداء رأينا.

الرأي النهائي :

بناءً على نتائج أعمال التدقيق فإن المعاملات والعمليات المالية التي تم فحصها والإطلاع عليها كانت متوافقة مع أحكام الشريعة الإسلامية لتلك الأعمال.

Independent auditors' report & Consolidated Financial Statements For the year 2019

EY
Building a better working world

Independent auditor's report

to the shareholders of

Al Safat Investment Company K.S.C. (Closed)

Report on the audit of consolidated financial statements

Opinion

We have audited the consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (together 'the Group'), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including the 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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for 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 Code of Ethics for Professional Accountants (including International Independence Standards)

(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.

Emphasis of Matter

We draw attention to Note 12 to the consolidated financial statements, which describe the material uncertainty related to the final outcome of an ongoing litigation claim. As stated in Note 12 therein, the Parent Company is a defendant in a legal action brought by a counterparty in respect of a wakala agreement entered into with the Parent Company in prior years. The legal action commenced by the counterparty is in final phases of litigation and no final court rulings have been issued by the Court of Cassation as of date, and accordingly it is not practical to estimate the ultimate outcome of this claim. The Group has recorded a liability of KD 21,089,883 as at the reporting date in respect of the wakala agreement, reflecting management's best estimate of the most likely outcome of the litigation as at the date of authorisation of these consolidated financial statements. Notwithstanding the aforementioned, management believes that a favourable outcome is probable and expects the outcome of this claim not to exceed the amount of liability recorded in the books of the Parent Company.

Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another independent auditor who expressed an unmodified opinion and conclusion on these statements on 18 March 2019.

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our audit, we have not become aware of any violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, or of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2017 that might have had a material effect on the business of the parent company or on its financial position.

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

3 March 2020

Kuwait

Consolidated statement of financial position At 31 December 2019

	Notes	2019 KD	2018 KD
ASSETS			
Cash and short-term deposits	4	**5,371,226**	4,959,191
Accounts receivable and other assets	5	**4,572,571**	4,025,522
Inventories	6	**1,142,247**	1,286,227
Investment securities	7	**12,221,730**	12,930,997
Investment in associates	8	**4,618,614**	4,419,303
Goodwill and other intangible assets	9	**1,285,140**	1,487,479
Investment properties	10	**16,179,711**	3,992,451
Right-of-use assets		**-**	9,893,127
Property, plant and equipment	11	**12,157,602**	11,276,986
TOTAL ASSETS		**57,548,841**	54,271,283
LIABILITIES AND EQUITY			
Liabilities			
Wakala payable	12	**21,089,883**	21,107,286
Bank overdrafts		**102,544**	24,473
Notes payable		**165,502**	55,779
Other liabilities	13	**3,434,759**	4,098,338
Lease liabilities	14	**3,843,569**	-
Total liabilities		**28,636,257**	25,285,876
Equity			
Share capital	15	**25,693,940**	25,693,940
Share premium	15	**259,677**	259,677
Statutory reserve	15	**591,965**	505,263
Voluntary reserve	15	**591,965**	505,263
Treasury shares	16	**(307,393)**	(307,393)
Treasury shares reserve		**615,002**	615,002
Asset revaluation surplus		**194,258**	194,258
Fair value reserve		**(10,759,671)**	(9,717,718)
Foreign currency translation reserve		**(477,797)**	(459,132)
Retained earnings		**4,219,103**	3,514,813
Equity attributable to equity holders of the Parent Company		**20,621,049**	20,803,973
Non-controlling interests		**8,291,535**	8,181,434
Total equity		**28,912,584**	28,985,407
TOTAL LIABILITIES AND EQUITY		**57,548,841**	54,271,283

Abdullah Hamad Al-Terkait
Chairman

Fahad Abdulrahman Al-Mukhaizim
Vice Chairman

Consolidated statement of profit or loss For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
Revenue			
Revenue from contracts with customers	17	**4,044,804**	3,823,509
Cost of sales		**(3,297,062)**	(3,491,346)
GROSS PROFIT		**747,742**	332,163
Fee and commission income		**239,994**	210,884
Net investment income on financial assets	18	**1,176,020**	738,932
Share of results of associates	8	**246,630**	(23,121)
Gain on bargain purchase of associate		**-**	2,053,314
Net rental income		**1,327,205**	972,043
Change in fair value of investment properties	10	**(782,069)**	-
Allowance for (reversal of) impairment losses and other provisions	20	**(491,217)**	483,693
Net foreign exchange differences		**175,797**	(74,944)
Other income	19	**1,460,820**	130,873
Net operating income		**4,100,922**	4,823,837
General and administrative expenses	21	**(2,832,877)**	(3,554,435)
Total operating expenses		**(2,832,877)**	(3,554,435)
Operating profit		**1,268,045**	1,269,402
Finance costs		**(257,969)**	-
PROFIT BEFORE TAX		**1,010,076**	1,269,402
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(515)**	(10,584)
Zakat		**-**	(4,663)
PROFIT FOR THE YEAR		**1,009,561**	1,254,155
Attributable to:			
Equity holders of the Parent Company		**866,511**	1,149,042
Non-controlling interests		**143,050**	105,113
		1,009,561	1,254,155

Consolidated statement of comprehensive income For the year ended 31 December 2019

	2019	2018
	KD	KD
Profit for the year	**1,009,561**	1,254,155
Other comprehensive income (loss)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:		
Share of associates other comprehensive loss	**(58,502)**	(363,193)
Exchange differences on translation of foreign operations	**52,895**	138,626
Net other comprehensive loss that may be reclassified to profit or loss in subsequent years	**(5,607)**	(224,567)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent years:		
Revaluation of property, plant and equipment reclassified to investment properties	**-**	250,760
Net change in fair value of equity instruments designated at fair value through other comprehensive income	**(1,087,960)**	(3,475,408)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent years	**(1,087,960)**	(3,224,648)
Other comprehensive loss	**(1,093,567)**	(3,449,215)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(84,006)**	(2,195,060)
Attributable to:		
Equity holders of the Parent Company	**(194,107)**	(2,062,444)
Non-controlling interests	**110,101**	(132,616)
	(84,006)	(2,195,060)

Consolidated statement of changes in equity For the year ended 31 December 2019

	Equity attributable to equity holders of the Parent Company												
	Share capital	*Share premium*	*Statutory reserve*	*Voluntary reserve*	*Treasury shares*	*Treasury shares reserve*	*Asset revaluation surplus*	*Fair value reserve*	*Foreign currency translation reserve*	*Retained earnings*	*Sub-total*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 January 2019	25,693,940	259,677	505,263	505,263	(307,393)	615,002	194,258	(9,717,718)	(459,132)	3,514,813	20,803,973	8,181,434	28,985,407
Profit for the year	-	-	-	-	-	-	-	-	-	866,511	866,511	143,050	1,009,561
Other comprehensive loss for the year	-	-	-	-	-	-	-	(1,041,953)	(18,665)	-	(1,060,618)	(32,949)	(1,093,567)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(1,041,953)	(18,665)	866,511	(194,107)	110,101	(84,006)
Transfer to reserves	-	-	86,702	86,702	-	-	-	-	-	(173,404)	-	-	-
Share of associate's gain on acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	11,183	11,183	-	11,183
At 31 December 2019	**25,693,940**	**259,677**	**591,965**	**591,965**	**(307,393)**	**615,002**	**194,258**	**(10,759,671)**	**(477,797)**	**4,219,103**	**20,621,049**	**8,291,535**	**28,912,584**
As at 1 January 2018	25,693,940	259,677	388,834	388,834	(307,393)	615,002	-	(6,552,719)	(486,159)	2,866,401	22,866,417	8,883,328	31,749,745
Profit for the year	-	-	-	-	-	-	-	-	-	1,149,042	1,149,042	105,113	1,254,155
Other comprehensive income (loss) for the year	-	-	-	-	-	-	194,258	(3,432,771)	27,027	-	(3,211,486)	(237,729)	(3,449,215)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	194,258	(3,432,771)	27,027	1,149,042	(2,062,444)	(132,616)	(2,195,060)
Transfer to reserves	-	-	116,429	116,429	-	-	-	-	-	(232,858)	-	-	-
Transfer of fair value reserve on financial assets at FVOCI to retained earnings on achieving significant influence	-	-	-	-	-	-	-	323,833	-	(323,833)	-	-	-
Capital reduction of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(535,902)	(535,902)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(33,376)	(33,376)
Realised gain on derecognition of equity instruments at FVOCI	-	-	-	-	-	-	-	(56,061)	-	56,061	-	-	-
At 31 December 2018	25,693,940	259,677	505,263	505,263	(307,393)	615,002	194,258	(9,717,718)	(459,132)	3,514,813	20,803,973	8,181,434	28,985,407

AL SAFAT
شركة الصفاة للاستثمار
AL SAFAT INVESTMENT COMPANY

Consolidated statement of cash flows For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit before tax		**1,010,076**	1,269,402
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	11	**378,417**	372,597
Depreciation of right-of-use assets (included within property, plant and equipment)	11	**107,001**	-
Amortisation for right-of-use assets		**-**	859,455
Amortisation of intangible assets		**4,093**	1,780
Allowance for ECL		**289,566**	42,558
Net reversal of provisions no longer required		**-**	(131,907)
Income from credit balances written off		**-**	(437,065)
Charge/(Reversals) on Inventory		**1,651**	(179,176)
Impairment of goodwill		**200,000**	79,765
Gain on sale of assets held for sale		**-**	(40,676)
Change in fair value of investment property	10	**782,069**	-
Share of results of associates		**(246,630)**	23,121
Gain on bargain purchase of an associate		**-**	(2,053,314)
Income from short-term deposits	18	**(213,067)**	(143,296)
Dividend income	18	**(487,543)**	(683,608)
Unrealised loss on financial assets at fair value through profit or loss	18	**(207,426)**	115,758
Provision for employees' end of service benefits		**137,725**	122,097
Gain on sale of property, plant and equipment		**-**	(3,826)
Finance costs	14	**238,112**	-
		1,994,044	(786,335)
Changes in operating assets and liabilities			
Changes in financial assets at fair value through profit or loss		**(171,267)**	95,738
Accounts receivable and other assets		**(467,156)**	(759,233)
Inventories		**142,329**	(41,319)
Other liabilities		**(662,746)**	307,083
Cashflows from (used in) operations		**835,204**	(1,184,066)
Employees' end of service benefits paid		**(137,417)**	(101,085)
Taxes paid		**(1,654)**	(37,192)
Net cash flows from (used in) operating activities		**696,133**	(1,322,343)
INVESTING ACTIVITIES			
Proceeds from sale of financial assets through other comprehensive income		**-**	295,696
Purchase of property, plant and equipment	11	**(335,835)**	(556,006)
Proceeds from sale of property, plant and equipment		**-**	4,922
Income received from short-term deposits	18	**213,067**	143,296
Purchase of intangible assets		**(1,754)**	(5,594)
Proceeds from sale of intangible assets		**-**	1,500
Dividend income received		**118,084**	448,044
Capital expenditure on investment property		**(14,652)**	-
Dividends paid to non-controlling interests		**-**	(33,376)
Proceeds from term deposits		**-**	235,000
Movement in restricted cash balances		**-**	(1,182,209)
Net proceeds from sale of assets held for sale		**-**	875,266
Purchase of an associate		**-**	(166,596)
Net cash flows (used in) from investing activities		**(21,090)**	59,943
FINANCING ACTIVITIES			
Payment of lease liabilities	14	**(491,662)**	-
Net movement of notes payable		**109,723**	48,400
Net cash flows (used in) from financing activities		**(381,939)**	48,400
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**293,104**	(1,214,000)
Cash and cash equivalents as at 1 January		**3,752,509**	4,855,964
Net foreign exchange differences		**(109,653)**	110,545
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	4	**3,935,960**	3,752,509
Non-cash items excluded from the consolidated statement of cash flows:			
Transitional adjustment to property, plant and equipment on adoption of IFRS 16 (Adjusted with right-of-use assets)		**(885,565)**	-
Transitional adjustment to investment properties on adoption of IFRS 16 (Adjusted with right-of-use assets)		**(3,211,554)**	-
Transitional adjustment to lease liabilities on adoption of IFRS 16 (Adjusted with other liabilities)		**4,097,119**	-
Transfer of right-of-use assets to property, plant and equipment and investment properties		**9,893,127**	-
Transfer from right-of-use assets to property, plant and equipment		**(146,562)**	-
Transfer from right-of-use asset to investment properties		**(9,746,565)**	-

1. Corporate Information

The consolidated financial statements of Al Safat Investment Company K.S.C. (Closed) (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 3 March 2020.

The Parent Company is a Kuwaiti shareholding company incorporated and domiciled in Kuwait and whose shares were publicly traded in Kuwait Stock Exchange ("KSE"). On 13 March 2013, the Parent Company was delisted from KSE. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA").

The Parent Company is principally engaged in the provision of investment and financial services in accordance with Islamic Shari'a principles as approved by the Group's Shari'a Committee. The Parent Company's head office is located at Al-Safat Tower, 14^{th} floor, Hawalli, Beirut Street, State of Kuwait and its registered postal address is P.O. Box 20133, Safat 13062, Kuwait.

Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 24.

1.2 Group Information

a) Subsidiaries

The consolidated financial statements of the Group include:

Name	Country of incorporation	% equity interest 2019	% equity interest 2018	Principal activities
Al Safat Holding Company K.S.C.(Closed) ('Safat Holding')	Kuwait	**99%**	**99%**	Holding company
Safat House for General Trading Company W.L.L.	Kuwait	**80%**	**80%**	General trading
Al Safat for Consultancy K.S.C. (Closed)	Kuwait	**96%**	**96%**	Consultancy
Dar Al Safat General Trading Company W.L.L.	Kuwait	**99%**	**99%**	General trading
The Roots Brokerage – Egypt	Egypt	**60%**	**60%**	Brokerage
Held through Safat Holding				
Al Assriya Printing Press Publishing and Distribution Company W.L.L.	Kuwait	**90%**	90%	Printing and distribution
Al-Ezdehar Real Estate Tourism Company K.S.C. (Closed)	Kuwait	**71.92%**	71.92%	Real estate
Safat Industries Holding Company K.S.C. (Closed) ('Safat Industries')	Kuwait	**63.79%**	63.79%	Holding company
Held through Safat Industries				
Middle East for Chemical Manufacturing W.L.L.	Kuwait	**99%**	99%	Chemical products manufacturing
Carpets Industry Company K.S.C. (Closed)	Kuwait	**51.28%**	51.28%	Manufacturing of carpets

b) Associates

Set out below are the associates of the Group as at 31 December. For more details, refer to Note 8.

Name	Country of incorporation	% equity interest 2019	% equity interest 2018	Principal activities
Asia Holding Company K.S.C. (Closed)	Kuwait	**21.70%**	21.70%	Holding company
Senergy Holding Company K.S.C.P.	Kuwait	**20.88%**	20.88%	Holding company

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost basis except for investment in equity securities and investment properties, which have been measured at fair value.

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

The Group presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 26.

2.2 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

***IFRS 16** – Leases*

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

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

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is, as follows:

	KD
ASSETS	
Right-of-use assets (included within property, plant and equipment)	885,565
Right-of-use assets (included within investment property)	3,211,554
Total assets	**4,097,119**
LIABILITIES	
Lease liabilities	4,097,119
Total liabilities	**4,097,119**

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under accounts receivable and prepayments and accounts payable and accruals, respectively.

The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000 (KD 1,500)). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2.3 Standards issued but not effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

2.4.1 Basis of consolidation

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

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

2.4.2 Business combinations and goodwill

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

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

2.4.3 Investment in associates

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

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the profit or loss and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

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

2.4.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, non-restricted cash at banks, cash held in investment portfolios and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

2.4.5 Financial instruments – initial recognition and subsequent measurement

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

i) Financial assets

Initial recognition and initial measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

b) *Financial assets at fair value through OCI (debt instruments)*

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

c) *Financial assets designated at fair value through OCI (equity instruments)*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably certain equity investments under this category.

d) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes certain equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

The Group has not designated any financial liability as at fair value through profit or loss and financial liabilities at amortised cost is more relevant to the Group.

Financial liabilities at amortised cost

Wakala payables

Wakala payables represent amounts payable on a deferred settlement basis for assets purchased under wakala arrangements. Wakala payables are stated at the contractual amount payable, less deferred profit payable. Profit payable is expensed on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Bank overdrafts and notes payables

After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

Other liabilities

Accounts payable and accruals are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

iii) Offsetting of financial instruments

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

2.4.6 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss as follows:

- Trade and other receivables, including contract assets
- Financial assets measured at amortised cost (credit facilities)

Equity investments are not subject to ECLs. Further, the Group has no debt investments measured at FVOCI.

i. *Impairment of financial assets other than credit facilities*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

ii. *Impairment of credit facilities*

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

Provisions for credit losses in accordance with the CBK instructions

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

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

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

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

2.4.7 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition are accounted for as follows:

Finished goods	- production cost on a specific identification basis.
Spares and consumables	- purchase cost on a weighted average basis.
Goods in transit	- purchase cost incurred up to the reporting date.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

2.4.8 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying appropriate valuation models

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2.4.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

2.4.10 Property, plant and equipment

Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Except for leasehold land stated at revalued amount, property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The estimated useful lives are, as follows:

- Buildings	10 years
- Buildings improvements	10 years
- Machinery and equipment	2 – 40 years
- Furniture, fixtures and computers	3 - 8 years
- Vehicles	3 - 8 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Depreciation of these assets commences when the assets are ready for their intended use.

2.4.11 Impairment of non-financials assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

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

Goodwill is tested for impairment annually as at the reporting date and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.
Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.4.12 Employees end of service benefits

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

In addition, with respect to its Kuwaiti national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. These contributions are expensed when due.

2.4.13 Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.4.14 Treasury shares

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

2.4.15 Dividend income

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

2.4.16 Taxes

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

Zakat

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

2.4.17 Revenue recognition

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

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms. Rental income is recorded net of real estate operating expenses.

Fee and commission income

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Group's revenue contracts do not typically include multiple performance obligations.

When the Group provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time.

The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Sale of goods - inventory and spare parts

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 90 days upon delivery.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration and consideration payable to the customer (if any).

Rendering of services

Revenue from rendering of services is recognised at the point in time when the control of the related services is transferred to the customer, generally on completion of the underlying service.

2.4.18 Foreign currencies

The Group's consolidated financial statements are presented in KD, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Kuwaiti Dinar at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified in profit or loss.

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

2.4.19 Fiduciary assets

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

2.4.20 Contingencies

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

2.4.21 Leases (Policy applicable before 1 January 2019)

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

Group as a lessee

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

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

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

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

Group as a lessor

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

2.4.22 Leases (Policy applicable as of 1 January 2019)

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (2.4.10) Impairment of non-financial assets.

ii) *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

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

Group as a lessor

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1 Significant judgments

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

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the nextfinancial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of associates

Investment in associates are accounted for under the equity method of accounting for associates, whereby these investments are initially stated at cost, and are adjusted thereafter for the post-acquisition change in the Group's share of the net assets of the associates less any impairment losses. The Group is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of intangible assets with indefinite useful lives

The Group tests whether an intangible asset with an indefinite useful live has suffered any impairment on an annual basis. For the 2019 and 2018 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates (Note 9). These growth rates are consistent with forecasts specific to the industry in which each CGU operates.

Impairment of financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Actual results may differ from these estimates.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Valuation of investment properties

The fair value of investment properties is determined by real estate valuation experts using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement.

Investment properties under construction are measured based on estimates prepared by independent real estate valuation experts, except where such values cannot be reliably determined. The significant methods and assumptions used by valuers in estimating the fair value of investment properties are set out in Note 13.

Fair value measurement

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2019	2018
	KD	KD
Cash on hand	**28,059**	22,194
Cash at banks and financial institutions	**4,832,167**	4,661,667
Short-term deposits	**511,000**	275,330
Total cash and short-term deposits	**5,371,226**	4,959,191
Less: restricted cash balances	**(1,332,712)**	(1,182,209)
Less: bank overdrafts	**(102,554)**	(24,473)
Total cash and cash equivalents	**3,935,960**	3,752,509

Short-term deposits are made for varying periods of between one week and one month, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates.

5. Accounts receivable and other assets

	2019	2018
	KD	KD
Trade receivables	**8,191,996**	8,376,823
Less: Allowance for expected credit losses	**(6,315,435)**	(6,154,725)
	1,876,561	2,222,098
Receivables from related parties (Note 24)	**129,821**	121,874
Prepayments, advances and deposits	**617,891**	161,604
Dividends receivable	**1,770,650**	1,493,962
Accrued management and incentive fees	**177,648**	25,984
	4,572,571	4,025,522

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Note 25.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2019	2018
	KD	KD
As at 1 January under IAS 39	**-**	6,344,221
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**-**	76,396
Restated opening balance under IFRS 9	**6,154,725**	6,420,617
Allowance recognised in profit or loss during the year (Note 20)	**283,991**	42,558
Write-off	**(123,281)**	(308,450)
As at 31 December	**6,315,435**	6,154,725

6. Inventories

	2019	2018
	KD	KD
Finished goods and goods for resale (at lower of cost and net realisable value)	**653,554**	437,204
Raw materials (at cost)	**548,161**	921,883
Spare parts and consumables (at lower of cost and net realisable value)	**52,872**	37,680
	1,254,587	1,396,767
Less: provision for slow moving and obsolete inventories	**(114,353)**	(112,702)
Goods in transit (at cost)	**2,013**	2,162
Total inventories at the lower of cost and net realisable value	**1,142,247**	1,286,227

Set out below is the movement in the provision for slow moving and obsolete inventories:

	2019	2018
	KD	KD
As at 1 January	**112,702**	291,878
Charge of (reversal of) provision	**1,651**	(179,176)
As at 31 December	**114,353**	112,702

7. Investment securities

	2019	2018
	KD	KD
Financial assets at FVTPL		
Quoted equity securities	**1,757,542**	1,465,690
Unquoted equity securities	**108,191**	21,350
	1,865,733	1,487,040
Financial assets at FVOCI		
Quoted equity securities	**5,638,765**	5,316,174
Unquoted equity securities	**4,717,232**	6,127,783
	10,355,997	11,443,957
Investment securities (at fair value)	**12,221,730**	12,930,997

Financial assets at FVTPL include investments in related parties of KD 71,787 (2018: KD 226,335) (Note 24).

Financial assets at FVOCI include investments in related parties of KD 3,513,049 (2018: KD 5,659,419) (Note 24).

Financial asset at FVOCI of KD 2,930,155 (2018: KD 2,533,909) are secured against wakala payable (Note 12).

The hierarchy for determining and disclosing the fair value of investment securities by valuation techniques are presented in Note 28.

8. Investment in associates

The following table illustrates summarised financial information of the Group's investment in its associates:

	Asia Holding Company K.S.C. (Holding)*		Senergy Holding Company K.S.C.P ("Senergy")**		Total	
	2019	2018	**2019**	2018	**2019**	2018
	KD	KD	**KD**	KD	**KD**	KD
Total assets	**6,924,858**	5,085,095	**19,100,539**	21,937,296	**26,025,397**	27,022,391
Total liabilities	**(59,337)**	(31,331)	**(4,115,884)**	(6,024,288)	**(4,175,221)**	(6,055,619)
Equity	**6,865,521**	5,053,764	**14,984,655**	15,913,008	**21,850,176**	20,966,772
Group's share in equity %	**21.7%**	21.7%	**20.88%**	20.88%		
Group's carrying amount of the investment	**1,489,818**	1,096,667	**3,128,796**	3,322,636	**4,618,614**	4,419,303
Revenue	**1,878,518**	11,800	**2,466,621**	56,513	**4,345,139**	68,313
Profit (loss)	**1,836,417**	(86,881)	**(727,359)**	(20,438)	**1,109,058**	(107,319)
Other comprehensive income (loss)	**(23,953)**	(1,643,380)	**(255,287)**	(31,514)	**(279,240)**	(1,674,894)
Total comprehensive income (loss)	**1,812,464**	(1,730,261)	**(982,646)**	(51,952)	**829,818**	(1,782,213)
Group's share of of profit (loss) for the year	**398,503**	(18,853)	**(151,873)**	(4,268)	**246,630**	(23,121)

* Private entities – no quoted price available.

** As at 31 December 2019, the fair value of the Group's investment in Senergy (based on quoted market price in Boursa Kuwait) was KD 892,283 and the carrying amount of the net assets of the entity exceeds its market capitalisation. However, the management concluded there is no indication for impairment when considered with other available information.

A reconciliation of the above summarised financial information to the carrying amount of the associates is set out below:

Reconciliation to carrying amounts	**2019**	2018
	KD	KD
At 1 January	**4,419,303**	1,482,981
Additions	**-**	3,322,636
Share of profit (loss) for the year	**246,630**	(23,121)
Share of other comprehensive loss	**(58,502)**	(363,193)
Share of associate's gain on acquisition of non-controlling interest	**11,183**	-
At 31 December	**4,618,614**	4,419,303

9. GOODWILL AND INTANGIBLE ASSETS

	2019	2018
	KD	KD
Goodwill	**1,270,500**	1,470,500
Intangible assets	**14,640**	16,979
Total goodwill and intangible assets	**1,285,140**	1,487,479

Goodwill

Net book value of goodwill as at 31 December 2019 amounting to KD 1,270,500 (2018: KD 1,470,500) is allocated to Group's investment in a subsidiary. The recoverable amount of the subsidiary has been determined based on value-in-use calculation, using cash flow projections.

The recoverable amount has been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period based on the historical pattern of trade volumes, revenue growth and market share. The discount rate applied to cash flow projections is 9% (2018: 8.5%) and cash flows beyond the five-year period are extrapolated using a 3% growth rate (2018: 3%), which does not exceed the long- term average growth rate of the State of Kuwait.

As a result of the analysis, the carrying amount of the subsidiary was determined to be higher than its recoverable amount and accordingly, management has recognised an impairment charge of KD 200,000 (2018: KD 79,765) in the current year. The impairment loss was fully allocated to goodwill and included in the consolidated statement of profit or loss.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Discount rate

- Market share during the forecast period

- Long-term growth rate (terminal value) used to extrapolate cash flows beyond the forecast period

Discount rates

Discount rates represent the current market assessment of the risks specific to the subsidiary, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Projected growth rates

Assumptions are based on published industry research.

Inflation rates

Estimates are obtained from published indices for the countries where the Group operates.

Sensitivity to changes in assumptions

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the goodwill to exceed its recoverable amount. These are summarised below:

- A rise in the discount rate to 9.5% (i.e. +0.5%) would result in a further impairment of KD 266,996.

- A reduction in the long-term growth rate to 2.5% (i.e. -0.5%) would result in a further impairment of KD 207,194.

- A decline in the gross operating profit during the forecast period to 20 % (i.e -1%) would result in a further impairment of KD 97,803.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

10. Investment properties

	2019 KD	2018 KD
As at 1 January	**3,992,451**	-
Effect on adoption of IFRS 16 (Note 2.2)	**3,211,554**	-
Reclassification on adoption of IFRS 16 *	**9,746,565**	-
Transfers from property, plant and equipment (Note 11)	**-**	3,741,691
Capital expenditure	**14,652**	-
Change in fair value	**(782,069)**	-
Revaluation surplus of property, plant and equipment reclassified to investment properties	**-**	250,760
Exchange differences	**(3,442)**	-
As at 31 December	**16,179,711**	3,992,451

* On adoption of IFRS 16, the Group opted to include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned. Accordingly, as at 1 January 2019, the Group reclassified an amount of KD 9,746,565, from utilisation rights to investment property.

Investment properties comprise of building on a leasehold land amounting to KD 12,190,702 (2018: Nil) and other commercial properties amounting to KD 3,989,009 (2018: 3,992,451).

The Group's investment properties are located in the following geographical locations:

	2019 KD	2018 KD
Kuwait	**12,190,702**	-
Other GCC countries	**3,989,009**	3,992,451
	16,179,711	3,992,451

	2019 KD	2018 KD
Market value as estimated by the external valuer	**13,130,009**	3,992,451
Add: lease liabilities recognised separately	**3,049,702**	-
Fair value for financial reporting purposes	**16,179,711**	3,992,451

The fair value of investment properties is determined based on valuations performed by independent and accredited valuers with recognised and relevant professional qualification and with recent experience in locations and categories of investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). Based on these valuations, the fair value of investment properties witnessed an decrease of KD 782,069 compared to its carrying values as at 31 December 2019 (2018: Nil).

11. Property, plant and equipment

	Leasehold land	Buildings	Building improvements	Machinery and equipment	Furniture, fixtures and computers	Right-of-use assets	Vehicles	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost:								
At 1 January 2019 (as previously reported)	8,209,791	2,043,269	211,451	5,998,603	1,923,241	-	194,569	18,580,924
Reclassification on adoption of IFRS 16 *	-	-	-	-	-	146,562	-	146,562
Effect of adoption of IFRS 16 (Note 2.2)	-	-	-	-	-	885,565	-	885,565
Adjusted balance at 1 January 2019	8,209,791	2,043,269	211,451	5,998,603	1,923,241	1,032,127	194,569	19,613,051
Additions	-	12,547	65,694	92,478	37,396	-	127,720	335,835
Disposals	-	-	-	(993,685)	(3,673)	-	-	(997,358)
Exchange differences	-	-	-	(224)	5,971	-	-	5,747
At 31 December 2019	**8,209,791**	**2,055,816**	**277,145**	**5,097,172**	**1,962,935**	**1,032,127**	**322,289**	**18,957,275**
Depreciation:								
At 1 January 2019	-	1,520,872	164,716	3,841,831	1,638,729	-	137,790	7,303,938
Depreciation charge for the year	-	101,292	10,023	173,718	68,848	107,001	24,536	485,418
Disposals	-	-	-	(993,685)	(3,673)	-	-	(997,358)
Exchange differences	-	-	-	1,003	6,672	-	-	7,675
At 31 December 2019	**-**	**1,622,164**	**174,739**	**3,022,867**	**1,710,576**	**107,001**	**162,326**	**6,799,673**
Net book value:								
At 31 December 2019	**8,209,791**	**433,652**	**102,406**	**2,074,305**	**252,359**	**925,126**	**159,963**	**12,157,602**

* Upon adoption of IFRS 16, as at 1 January 2019, the Group reclassified right-of-use assets of KD 146,562 previously recognised and presented separately in the statement of financial position to property, plant and equipment.

	Freehold land	Leasehold land	Buildings	Building improvements	Machinery and equipment	Furniture, fixtures and computers	Vehicles	Total
	KD	KD	KD	KD	KD	KD	KD	KD
Cost:								
At 1 January 2018	1,595,698	8,209,791	4,658,045	193,886	5,570,600	1,839,827	193,193	22,261,040
Additions	-	-	13,501	17,565	435,878	80,536	8,526	556,006
Transfers to investment properties (Note 10)	(1,595,698)	-	(2,639,402)	-	-	-	-	(4,235,100)
Disposals	-	-	(2,000)	-	(8,195)	(461)	(7,150)	(17,806)
Exchange differences	-	-	13,125	-	320	3,339	-	16,784
At 31 December 2018	-	8,209,791	2,043,269	211,451	5,998,603	1,923,241	194,569	18,580,924
Depreciation:								
At 1 January 2018	-	-	1,910,434	154,038	3,692,475	1,557,712	121,235	7,435,894
Depreciation charge for the year	-	-	103,332	10,678	157,305	78,649	22,633	372,597
Transfers to investment properties (Note 10)	-	-	(493,409)	-	-	-	-	(493,409)
Disposals	-	-	(2,000)	-	(8,190)	(442)	(6,078)	(16,710)
Exchange differences	-	-	2,515	-	241	2,810	-	5,566
At 31 December 2018	-	-	1,520,872	164,716	3,841,831	1,638,729	137,790	7,303,938
Net book value:								
At 31 December 2018	-	8,209,791	522,397	46,735	2,156,772	284,512	56,779	11,276,986

The depreciation included in the consolidated statement of profit or loss is allocated as follows:

	2019 KD	2018 KD
Cost of sales	**324,711**	189,878
General and administrative expenses	**160,707**	182,719
	485,418	372,597

Fair value disclosure of buildings on leasehold land

The Group complies with the real estate valuation procedures set out in Module 11 "Dealing in Securities" of the CMA Executive Bylaws, which require valuations of local real estate properties classified as PPE to be determined by at least two independent, registered and accredited real estate appraised provided that one of them is a local bank and that the lower value is taken into account.

The fair value of leasehold land and building as at 31 December 2019 is determined based on valuations carried out by the respective appraisers using the market comparable method and amounted to KD 9,982,000.

Significant increases (decreases) in estimated price per square metre would result in a significantly higher (lower) fair value on a linear basis.

12. Wakala payable

This represents a wakala payable to Qatar National Bank (the "bank"), amounting to KD 21,089,883 (2018: KD 21,107,286).

Wakala payable is secured against shares of financial asset at FVOCI amounting to KD 2,930,155 (2018: KD 2,533,909). (Note 7)

In 2010, the bank filed a legal action against the Parent Company claiming the principal amount of 360 million Qatari Riyals ("QR") and interest thereon of 12% per annum. The Parent Company made payments of QR 106,684,937 (equivalent to KD 8,172,909) as at 1 January 2012 towards the principal amount, reducing the total liability to KD 19,405,935 as of that date.

On 5 May 2013, the Court of First Instance ruled in the favour of the Parent Company and declared the wakala agreement null and void and dismissed the case. However, the bank decided to appeal against the decision before the Court of Appeal.

On 27 January 2016, an unfavourable judgement was handed down against the Parent Company obligating the Parent Company to settle an amount of QR 360 million plus interest thereon at a rate of 12% per annum, effective from 1 June 2010 until the full payment is made. However, the Parent Company appealed against the ruling before the Court of Cassation.

On 21 March 2018, the Court of Cassation accepted the appeal filed by the Parent Company and suspended any ongoing execution proceedings of the appealed verdict and assigned a panel of three experts to verify the elements of the appeal and submit their findings accordingly.

On 1 November 2018, the panel carried out its mandate as specified in the court ruling and filed its experts' findings report in the court, however both parties to the litigation have objected those discovery findings before the court.

On 19 June 2019, the Court of Cassation ruled that the case should be returned to the Expert Department at the Ministry of Justice to assign a panel of three accounting experts, none of whom had previously been involved in the litigation, to examine the objections of both parties and carry out the mandate specified in the referral judgment.

On 18 October 2019, the experts' findings report (the "report") was issued. The report provided the experts' views on various aspects of the case for consideration of the court of law. In the view of the experts, amongst various other conclusions drawn, the Parent Company shall settle the wakala payable by returning 25,295,591 shares of "Al Qudra Holding Company" and settle an additional amount of QR 8,272,968 in cash. The next rehearing of the Court of Cassation is scheduled on 24 March 2020 where the Group expects a final judgement.

The legal proceedings are still in progress and no final decision has been reached as of date, and accordingly an uncertainly exists relating to the ultimate outcome of this claim as at the date of authorisation of this consolidated financial statement. Notwithstanding the aforementioned, the Group, based on the opinion of its legal counsel, considers it to be probable that the judgement will be in its favour and has therefore not recognised any additional liability in relation to this claim.

13. Other liabilities

	2019	2018
	KD	KD
Trade payables	**1,341,148**	1,719,816
Amounts due to related parties (Note 13)	**685,000**	999,301
Provision for legal fees	**-**	138,300
Accrued staff leave	**191,626**	163,650
Provision for employees' end of service benefits	**882,351**	887,051
Accrued expenses	**296,804**	162,267
Other payables	**37,830**	27,953
	3,434,759	4,098,338

14. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2019 KD
As at 31 December 2018	-
Effect of adopting IFRS 16 (Note 2.2)	**4,097,119**
Finance cost	**238,112**
Payments	**(491,662)**
As at 31 December 2019	**3,843,569**
Current portion	**290,585**
Non-current portion	**3,552,984**
	3,843,569

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 6.5%.

The maturity analysis of lease liabilities are disclosed in Note 26.

The following are the amounts recognised in profit or loss related to right-of-use assets and lease liabilities:

	2019 KD
Depreciation expense of right-of-use assets	**107,001**
Finance costs on lease liabilities	**238,112**
Total amount recognised in profit or loss	**345,113**

15. Equity

a) Share capital

	Number of shares		Authorised, issued and fully paid	
	2019	2018	**2019 KD**	2018 KD
Shares of 100 fils each (paid in cash)	**256,939,400**	256,939,400	**25,693,940**	25,693,940

b) Share premium

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

c) Statutory reserve

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and Director's remuneration attributable to the equity holders of the Company shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

d) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association a maximum of 10% of the profit for the year attributable to the equity holders of the Parent Company before contribution to KFAS, NLST, Zakat and directors' remuneration is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the annual general assembly of the Parent Company upon a recommendation by the Board of Directors. There are no restrictions on distribution of the voluntary reserve.

16. Treasury shares

	2019	2018
Number of treasury shares	**803,011**	803,011
Percentage of issued shares (%)	**0.31%**	0.31%
Cost of treasury shares (KD)	**307,393**	307,393

Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

17. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2019 KD	2018 KD
Types of goods or services:		
Sale of goods	**3,651,303**	3,669,360
Rendering of services	**393,501**	154,149
	4,044,804	3,823,509
Timing of revenue recognition:		
Goods and services transferred at a point in time	**3,871,724**	3,669,360
Goods and services transferred over time	**173,080**	154,149
	4,044,804	3,823,509

18. Net investment income on financial assets

	2019 KD	2018 KD
Income from short-term deposits	**213,067**	143,296
Dividend income	**487,543**	683,608
Realised gain on sale of financial assets at FVTPL	**267,984**	27,786
Unrealised gain (loss) on financial assets at FVTPL	**207,426**	(115,758)
	1,176,020	738,932

19. Other income

Other income for the current year includes an amount of KD 1,394,490 representing reversal of a previously recognised impairment loss on receivable from sale of an investment.

20. Allowance for (reversal of) impairment losses and other provisions

	2019	2018
	KD	KD
ECL on trade receivables (Note 5)	283,991	42,558
Write-downs (reversals) (Note 6)	1,651	(179,176)
Impairment of goodwill (Note 9)	200,000	79,765
Net reversal of provisions related to assets held for sale	-	(437,065)
Other provisions	5,575	10,225
	491,217	(483,693)

21. General and administrative expenses

	2019	2018
	KD	KD
Staff costs	1,681,425	1,471,947
Selling and distribution expenses	269,086	291,583
Legal and professional fees	300,800	166,179
Rent expense for short-term leases	15,275	27,067
Depreciation and amortisation	198,392	229,586
Other expenses	367,899	555,488
Depreciation on right-of-use assets	-	812,585
	2,832,877	3,554,435

22. Material partly-owned subsidiary

Financial information of the subsidiary that has material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name of subsidiary	Country of incorporation and operation	2019	2018
Safat Industries Holding Company K.S.C. (Closed)	Kuwait	36.21%	36.21%
Accumulated balances of material non-controlling interests		6,618,543	6,481,200
Profit allocated to material non-controlling interests		182,961	116,793

The consolidated financial information of the subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised consolidated statement of profit or loss and other comprehensive income:

	2019	2018
	KD	KD
Revenue	**1,598,838**	751,860
Expenses	**768,644**	730,828
Total profit and comprehensive income	**830,194**	21,032
Attributable to non-controlling interests	**182,961**	116,793

Summarised consolidated statement of financial position:

	2019	2018
	KD	KD
Current assets	**3,322,579**	2,828,101
Non-current assets	**10,307,351**	9,721,947
TOTAL ASSETS	**13,629,930**	12,550,048
Current liabilities	**643,664**	548,172
Non-current liabilities	**495,223**	260,599
TOTAL LIABILITIES	**1,138,887**	808,771
TOTAL EQUITY	**12,491,043**	11,741,277
Attributable to:		
Equity holders of the Parent Company	**5,872,500**	5,260,077
Non-controlling interests	**6,618,543**	6,481,200

Summarised cash flow information:

	2019	2018
	KD	KD
Cash flows from operating activities	**706,912**	(622,285)
Cash flows from investing activities	**(400,228)**	786,398
Cash flows from financing activities	**109,723**	48,400
Net increase in cash and cash equivalents	**416,407**	212,513

23. Fiduciary assets

The Group manages investment portfolios on behalf of clients. The total value of these portfolios at 31 December 2019 amounted to KD 16,885,893 (2018: KD 17,718,301) which are not reflected in the consolidated financial statements.

The portfolios have no recourse to the general assets of the Group. The Group makes investment decisions in line with the respective agreements.

Income earned from fiduciary assets amounted to KD 116,594 for the year ended 31 December 2019 (2018: KD 35,077).

24. Related party disclosures

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and are subject to the approval of the shareholders at the annual general assembly meeting (AGM).

The following tables show the aggregate value of transactions and outstanding balances with related parties:

	2019	2018
	KD	KD
Consolidated statement of financial position:		
Other assets - Other related parties (Note 5)	**129,821**	121,874
Financial assets at FVTPL - *Other related parties (Note 7)*	**71,787**	226,335
Financial assets at FVOCI - *Other related parties (Note 7)*	**3,513,049**	5,659,419
Other liabilities - *Associate companies (Note 13)*	**685,000**	999,301

	2019	2018
	KD	KD
Consolidated statement of profit or loss:		
Management fees - Associate companies	**7,470**	5,017
Management fees - Other related parties	**3,524**	9,788

Other transactions

The Group also manages investment portfolios on behalf of related parties amounting to KD 11,667,341 (2018:KD 10,837,920).

Key management personnel

Key management personnel comprise the Board of Directors, Executive Committees and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. The aggregate value of transactions related to key management personnel were as follows:

	2019 KD	2018 KD
Salaries and short-term benefits	**134,876**	161,247
Committees remuneration	**36,000**	36,000
Employees' end of service benefits	**18,635**	10,240
	189,510	207,487

25. Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise of wakala payable, bank overdrafts, notes payable and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and short-term deposits and accounts receivable and other assets that derive directly from its operations. The Group also holds investments in securities.

The Group is exposed to credit risk, liquidity risk and market risk (including foreign currency risk, interest rate risk and equity price risk). The Group's senior management is supported by a risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

25.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2019	2018
	KD	KD
Bank balances and short-term deposits	**5,343,167**	4,936,997
Accounts receivable and other assets (excluding prepaid expenses and advances)	**3,954,680**	3,863,918
	9,297,847	8,800,915

Balances with banks and short-term deposits

Credit risk from balances with banks and financial institutions is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies. Further, the principal amounts of deposits in local banks (including saving accounts and current accounts) are guaranteed by the Central Bank of Kuwait in accordance with Law No. 30 of 2008 Concerning Guarantee of Deposits at Local Banks in the State of Kuwait which came into effect on 3 November 2008.

Impairment on cash and cash equivalents and term deposits has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Trade receivables

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Trade receivables				
	Days past due				
31 December 2019	Total	< 90 days	90–180 days	180–365 days	> 365 days
	KD	KD	KD	KD	KD
Expected credit loss rate		**3.21%**	**8.11%**	**12.57%**	**94.22%**
Estimated total gross carrying amount at default	**8,191,996**	**743,176**	**328,427**	**543,784**	**6,576,609**
Expected credit loss	**6,315,435**	**23,858**	**26,651**	**68,334**	**6,196,592**

	Trade receivables				
	Days past due				
31 December 2018	Total	< 90 days	90–180 days	180– 365 days	> 365 days
	KD	KD	KD	KD	KD
Expected credit loss rate		2.28%	6.23%	7.47%	95.04%
Estimated total gross carrying amount at default	8,376,823	757,561	302,465	953,927	6,362,870
Expected credit loss	6,154,725	17,244	18,852	71,267	6,047,362

Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

25.2 Liquidity risk

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis. The Group's credit sales require amounts to be paid within 60 days of the date of invoice and trade payables are normally settled within 60 to 90 days from the date of purchase.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
31 December 2019				
Wakala payable	**21,089,883**	**-**	**-**	**21,089,883**
Bank overdrafts	**107,671**	**-**	**-**	**107,671**
Notes payable	**-**	**173,777**	**-**	**173,777**
Other liabilities	**1,451,271**	**1,101,137**	**882,351**	**3,434,759**
Lease liabilities	**116,625**	**372,671**	**4,706,931**	**5,196,227**
	22,765,450	**1,647,585**	**5,589,282**	**30,002,317**

	Within 3 months KD	3 to 12 months KD	1 to 5 years KD	Total KD
31 December 2018				
Wakala payable	21,107,286	-	-	21,107,286
Bank overdrafts	25,819	-	-	25,819
Notes payable	-	58,847	-	58,847
Other liabilities	322,962	2,909,337	866,039	4,098,338
	21,456,067	2,968,184	866,039	25,290,290

25.3 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. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include deposits and debt and equity investments.

a) Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group currently does not use financial derivatives to manage its exposure to currency risk. The Group manages its foreign currency risk based on the limits determined by management and a continuous assessment of the Group's open positions, current and expected exchange rate movements. The Group ensures that its net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the KD.

The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and (liabilities) at the reporting date:

Currency	**2019 Equivalent KD**	2018 Equivalent KD
US Dollar (USD)	**814,763**	1,182,253
Qatari Riyal (QAR)	**(21,089,883)**	(21,107,286)
United Arab Emirates Dirham (AED)	**6,145,711**	5,277,383
Egyptian pound (EGP)	**1,861,861**	1,937,439
Saudi riyal (SAR)	**573,193**	509,078

Foreign exchange rate sensitivity

The following table demonstrate the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit/loss due to changes in the fair value of monetary assets and liabilities is as follows:

		2019		2018	
	Change in exchange rate	**Effect on profit**	**Effect on equity**	Effect on profit	Effect on equity
Currency		**KD**	**KD**	KD	KD
USD	5%	**40,310**	**428**	58,691	421
QAR	5%	**(1,054,494)**	**-**	(1,055,364)	-
AED	5%	**88,533**	**218,753**	74,698	189,171
EGP	5%	**79,387**	**13,706**	84,391	12,481
SAR	5%	**-**	**28,660**	-	25,454

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

An equivalent increase/decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate financial assets and financial liabilities. Further, the Group's policy is to manage its interest cost by availing competitive credit facilities from local financial institutions and constantly monitoring interest rate fluctuations.

Exposure to interest rate risk

The interest rate profile of the Group's interestbearing financial instruments as reported to the management of the Group is as follows.

	2019	2018
	KD	KD
Variable-rate instruments		
Financial assets	**1,832,712**	1,449,222
Financial liabilities	**(268,046)**	(80,252)
	1,564,666	1,368,970

Interest rate sensitivity

A reasonably possible change of 50 basis points in interest rates at the reporting date would have resulted in a decrease in profit for the year by KD 10,559 (2018: KD 8,988). This analysis assumes that all other variables, remain constant.

c) Equity rate risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) (Note 7). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Senior Management reviews and approves all major equity investment decisions.

At the reporting date, the exposure to non-listed equity investments at fair value was KD 4,825,423 (2018:KD 6,149,133). Sensitivity analyses of these investments have been provided in Note 28.1.

The majority of the Group's listed equity investments are publicly traded and are included either in the Kuwait Stock Exchange ("Boursa Kuwait") or other GCC markets.

The table below summarises the impact of increases/decreases of the respective price indices in the relevant market on the Group's equity and profit for the year. The analysis is based on the assumption that the equity indexes had increased or decreased by 5% respectively, with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

At the reporting date, the Group's exposure to listed equity investments at fair value are listed on either Boursa Kuwait or other GCC markets. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the respective market index, the Group determined that for such investments classified at FVOCI, a 5% increase in the respective market index would have increased equity by KD 517,800 (2018: an increase of KD 572,064). For such investments classified as at FVTPL, the impact of a 5% increase in the at the reporting date on profit or loss would have been an increase of KD 93,287 (2018: KD 74,486).

An equal change in the opposite direction would have would have resulted in an equivalent but opposite impact on profit or equity.

26. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. Trading assets and liabilities have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products.

	31 December 2019		
	Within 12 months	After 12 months	Total
	KD	KD	KD
ASSETS			
Cash and short-term deposits	**4,038,514**	**1,332,712**	**5,371,226**
Accounts receivable and other assets	**4,572,571**	**-**	**4,572,571**
Inventories	**1,142,247**	**-**	**1,142,247**
Investment securities	**1,865,733**	**10,355,997**	**12,221,730**
Investment in associates	**-**	**4,618,614**	**4,618,614**
Goodwill and other intangible assets	**-**	**1,285,140**	**1,285,140**
Investment properties	**-**	**16,179,711**	**16,179,711**
Property, plant and equipment	**-**	**12,157,602**	**12,157,602**
Total assets	**11,619,065**	**45,929,776**	**57,548,841**
LIABILITIES			
Wakala payable	**21,089,883**	**-**	**21,089,883**
Bank overdrafts	**102,544**	**-**	**102,544**
Notes payable	**165,502**	**-**	**165,502**
Other liabilities	**2,552,409**	**882,351**	**3,434,760**
Lease liabilities	**290,585**	**3,552,984**	**3,843,569**
Total liabilities	**24,200,923**	**4,435,335**	**28,636,258**
Net	**(12,581,858)**	**41,494,441**	**28,912,583**

	31 December 2018		
	Within 12 months	After 12 months	Total
	KD	KD	KD
ASSETS			
Cash and short-term deposits	3,776,982	1,182,209	4,959,191
Accounts receivable and other assets	4,025,522	-	4,025,522
Inventories	1,286,227	-	1,286,227
Investment securities	1,487,040	11,443,957	12,930,997
Investment in associates	-	4,419,303	4,419,303
Goodwill and other intangible assets	-	1,487,479	1,487,479
Investment properties	-	3,992,451	3,992,451
Right-of-use assets	-	9,893,127	9,893,127
Property, plant and equipment	-	11,276,986	11,276,986
Total assets	10,575,771	43,695,512	54,271,283
LIABILITIES			
Wakala payable	21,107,286	-	21,107,286
Bank overdrafts	24,473	-	24,473
Notes payable	55,779	-	55,779
Other liabilities	3,211,287	887,051	4,098,338
Total liabilities	24,398,825	887,051	25,285,876
Net	(13,823,054)	42,808,461	28,985,407

27. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, wakala payable, bank overdrafts and notes payable, less cash and short-term deposits. Capital represents total equity attributable to equity holders of the Parent Company.

	2019	2018
	KD	KD
Wakala payable	**21,089,883**	21,107,286
Bank overdrafts	**102,544**	24,473
Notes payable	**165,502**	55,779
Less: Cash and short-term deposits	**(5,371,226)**	(4,959,191)
Net debt	**15,986,703**	16,228,347
Equity attributable to shareholders of the Parent Company	**20,621,049**	20,803,973
Net debt to equity ratio	**78%**	78%

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

28. Fair value measurement

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

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

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

The Group's senior management determines the policies and procedures for recurring fair value measurement, such as investment properties and unquoted equity investments.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by the senior management Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The senior management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

The Group measures financial instruments such as investment in equity securities and non-financial assets such as investment properties, at fair value at each reporting date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed below.

Set out below that are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

	2019	2018
Financial instruments	**KD**	KD
(Investment securities (at fair value		
Quoted equity securities	**7,396,307**	6,781,864
Unquoted equity securities	**4,825,423**	6,149,133
	12,221,730	12,930,997
Non-financial assets		
Investment properties	**16,179,711**	3,992,451

Management assessed that the fair value of the following financial assets and liabilities approximate their carrying amounts:

- Cash and short-term deposits
- Accounts receivables and other assets
- Wakala payable
- Bank overdrafts
- Notes payable
- Other liabilities
- Lease liabilities

Valuation methods and assumptions

The following methods and assumptions were used to estimate the fair values:

Listed investment in equity securities

Fair values of publicly traded equity securities are based on quoted market prices in an active market for identical assets without any adjustments. The Group classifies the fair value of these investments as Level 1 of the hierarchy.

Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for the majority of these positions. The Group determines and calculates an appropriate trading multiple based on related industry average. The trading multiple is then discounted for considerations such as illiquidity and based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding asset and earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Investment properties

The fair value of investment properties was assessed by accredited independent real estate experts with recognised and relevant professional qualification and with recent experience in the location and category of the investment properties being valued. The valuation models applied are consistent with the principles in IFRS 13 'Fair Value Measurement' and fair value is determined using a mix of the income capitalisation method and the market comparison approach considering the nature and usage of each property. Fair value using the income capitalisation method is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate. Under the market comparison approach, fair value is estimated based on comparable transactions. The unit of comparison applied by the Group is the price per square meter ('sqm'). The fair value of investment properties are classified as either level 2 or level 3.

28.1 Financial instruments

Fair value hierarchy

The following tables provide the fair value measurement hierarchy of the Group's financial instruments measured at fair value:

	Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant unobservable inputs (Level 3)
31 December 2019	KD	KD	KD
Financial assets at FVTPL:			
Quoted equity securities	**1,757,542**	**1,757,542**	**-**
Unquoted equity securities	**108,191**	**-**	**108,191**
	1,865,733	**1,757,542**	**108,191**
Financial assets at FVOCI			
Quoted equity securities	**5,638,765**	**5,638,765**	**-**
Unquoted equity securities	**4,717,232**	**-**	**4,717,232**
	10,355,997	**5,638,765**	**4,717,232**
Investment securities (at fair value)	**12,221,730**	**7,396,307**	**4,825,423**
31 December 2018			
Financial assets at FVTPL:			
Quoted equity securities	**1,465,690**	**1,465,690**	**-**
Unquoted equity securities	**21,350**	**-**	**21,350**
	1,487,040	**1,465,690**	**21,350**
Financial assets at FVOCI			
Quoted equity securities	**5,316,174**	**5,316,174**	**-**
Unquoted equity securities	**6,127,783**	**-**	**6,127,783**
	11,443,957	**5,316,174**	**6,127,783**
Investment securities (at fair value)	**12,930,997**	**6,781,864**	**6,149,133**

There were no transfers between any levels of the fair value hierarchy during 2019 or 2018.

Reconciliation of Level 3 fair values

The following table shows a reconciliation of all movements in the fair value of items categorised within Level 3 between the beginning and the end of the reporting period:

December 2019 31	Financial assets at FVOCI	Financial assets at FVTPL	Total
	KD	KD	KD
As at 1 January 2019	**6,127,783**	**21,350**	**6,149,133**
Remeasurement recognised in OCI	**(1,410,551)**	**-**	**(1,410,551)**
Remeasurement recognised in profit or loss	**-**	**86,841**	**86,841**
As at 31 December 2019	**4,717,232**	**108,191**	**4,825,423**

December 2018 31	Financial assets at FVOCI	Financial assets at FVTPL	Total
	KD	KD	KD
As at 1 January 2018	**5,985,106**	**1,719,488**	**7,704,594**
IFRS 9 reclassification adjustment	**818,847**	**(818,847)**	**-**
Remeasurement recognised in OCI	**(463,115)**	**-**	**(463,115)**
Remeasurement recognised in profit or loss	**-**	**600**	**600**
(Purchases / sales (net	**(213,055)**	**(879,891)**	**(1,092,946)**
As at 31 December 2018	**6,127,783**	**21,350**	**6,149,133**

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at 31 December are as shown below:

Significant unobservable valuation inputs	Range	Sensitivity of the input to fair value
Discount for lack of marketability (DLOM)	**(15% - 60%)**	10% (2018: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 441,936 (2018: KD 598,740)

The discount for lack of marketability represents the amounts that the Group has determined that market participants would take into account when pricing the investments.

28.2 Non-financial assets

The following tables provide the fair value measurement hierarchy of the Group's non-financial assets:

		Fair value measurement using		
	Total	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
31 December 2019	KD	KD	KD	KD
Investment properties	16,179,711	-	3,989,009	12,190,702
31 December 2018				
Investment properties	3,992,451	-	3,992,451	-

There were no transfers between any levels of the fair value hierarchy during 2019 or 2018.

Reconciliation of Level 3 fair values

Reconciliation for recurring fair value measurement of investment properties categorised within Level 2 and 3 of the fair value hierarchy is disclosed in Note 10.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy are the yield rate (income capitalisation approach) and price per sqm (market approach).

Sensitivity analysis

Significant increases (decreases) in estimated price per square metre, rental value and rent growth per annum, in isolation would result in a significantly higher (lower) fair value on a linear basis. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

29. Commitments and contingencies

Operating lease commitments

Future minimum operating lease commitments as at the reporting date are, as follows:

	2019	2018
	KD	KD
Within one year	**-**	360,000
After one year but not more than five years	**-**	1,440,000
More than five years	**-**	2,880,000

Legal claims contingency

In 2010, a bank commenced a legal action against the Parent Company in respect of a wakala agreement entered into with the Parent Company in prior years. The legal proceedings in respect of the claim are still in progress as at the authorisation date of this financial statements (Note 12).

The Parent Company has been advised by its legal counsel that it is possible, but not probable, that the action commenced against the Parent Company will succeed. Accordingly, no provision for any additional liability has been made in these financial statements.

Other contingent liabilities

	2019	2018
	KD	KD
Letters of guarantee *	**311,466**	235,264
Letter of credit	**167,816**	-

* The Group has provided bank guarantees and letters of credit in the ordinary course of business. No material liabilities are expected to arise.

Capital commitments

As at 31 December 2019, the Group had ongoing construction contracts with third parties and is consequently committed to future capital expenditure in respect of property, plant and equipment of KD 1,407,717 (2018: Nil).