Consolidated financial statements and independent auditor's report

Tharwa Investment Company – KSC (Closed) and Subsidiaries

Kuwait

31 December 2019

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Independent auditor's report

To the shareholders of
Tharwa Investment Company – KSC (Closed)
Kuwait

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Tharwa Investment Company – KSC (Closed) ("the Parent Company") and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, 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), as adopted for use in the State of Kuwait.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our 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.

Other Information
Management is responsible for the other information. Other information consists of the report of the Parent Company's board of directors, other than the consolidated financial statements and our auditor's report.

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

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

Independent Auditor's Report to the shareholders of Tharwa Investment Company – KSC (Closed) (continued)

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

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

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

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

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

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

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

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

Independent Auditor's Report to the shareholders of Tharwa Investment Company – KSC (Closed) (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit and to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law 7 of 2010, as amended, relating to the Capital Markets Authority and its related regulations during the year ended 31 December 2019 that might have had a material effect on the business or financial position of the Parent Company.

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

Abdullatif M. Al-Aiban (CPA)
(Licence No. 94-A)
of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
23 January 2020

Consolidated statement of profit or loss

	Note	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Income			
Revenue from contracts with customers	7	1,618,240	1,783,924
Other gains on financial assets	8	3,855,982	1,830,004
Change in fair value of investment property		-	52,140
Foreign exchange (loss)/gain		(108,625)	12,539
Interest income		66,773	37,184
		5,432,370	3,715,791
Expenses and other charges			
Staff costs		(1,652,123)	(1,289,035)
General, administrative and other expenses		(340,363)	(404,161)
Finance costs on lease liabilities		(10,533)	-
		(2,003,019)	(1,693,196)
Profit for the year before contribution to KFAS, provision for Zakat and board of directors' remunerations		3,429,351	2,022,595
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(27,936)	(16,225)
Provision for Zakat		(32,570)	(18,196)
Board of Directors' remuneration		(95,000)	(70,000)
Profit for the year		3,273,845	1,918,174
Attributable to :			
Owners of the Parent Company		2,948,487	1,698,325
Non-controlling interests		325,358	219,849
		3,273,845	1,918,174
Basic and diluted earnings per share attributable to owners of the Parent Company (Fils)	9	19.51	11.24

The notes set out on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Profit for the year	3,273,845	1,918,174
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Investments at fair value through other comprehensive income:		
- Net changes in fair value arising during the year	17,909	(866)
	17,909	(866)
Items that maybe reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(4,355)	21,751
	(4,355)	21,751
Other comprehensive income for the year	13,554	20,885
Total comprehensive income for the year	3,287,399	1,939,059
Total comprehensive income for the year attributable to :		
Owners of the Parent Company	2,962,908	1,715,921
Non-controlling interests	324,491	223,138
	3,287,399	1,939,059

The notes set out on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

	Note	31 Dec. 2019 KD	31 Dec. 2018 KD
Assets			
Cash and cash equivalents	10	**3,967,495**	7,160,070
Investments at fair value through profit or loss	11	**24,697,307**	18,220,136
Accounts receivable and other assets	12	**486,517**	904,528
Investments at fair value through other comprehensive income	13	**470,970**	453,061
Investment property	14	**781,455**	782,100
Right-of-use of assets	15	**667,168**	-
Property and equipment		**5,927**	4,231
Total assets		**31,076,839**	27,524,126
Liabilities and equity			
Liabilities			
Accounts payable and other liabilities	16	**1,163,308**	1,962,432
Lease liabilities	17	**671,911**	-
Employees' end of service benefits		**527,333**	455,562
Total liabilities		**2,362,552**	2,417,994
Equity			
Share capital	18	**15,112,500**	15,112,500
Share premium	18	**18,000**	18,000
Statutory reserve	19	**2,780,991**	2,470,592
Foreign currency translation reserve		**134,598**	138,086
Cumulative changes in fair value		**8,823**	(9,086)
Retained earnings		**6,803,545**	5,374,457
Equity attributable to owners of the Parent Company		**24,858,457**	23,104,549
Non-controlling interests	6.2	**3,855,830**	2,001,583
Total equity		**28,714,287**	25,106,132
Total liabilities and equity		**31,076,839**	27,524,126

Marzouq Fajhan Al-Mutairi
Chairman

The notes set out on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Statutory reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-Total KD	KD	KD
Balance as at 31 December 2018	15,112,500	18,000	2,470,592	138,086	(9,086)	5,374,457	23,104,549	2,001,583	25,106,132
Dividend paid	-	-	-	-	-	(1,209,000)	(1,209,000)	-	(1,209,000)
Changes in non-controlling interests	-	-	-	-	-	-	-	1,529,756	1,529,756
Transaction with owners	-	-	-	-	-	(1,209,000)	(1,209,000)	1,529,756	320,756
Profit for the year	-	-	-	-	-	2,948,487	2,948,487	325,358	3,273,845
Other comprehensive (loss)/income for the year	-	-	-	(3,488)	17,909	-	14,421	(867)	13,554
Total comprehensive (loss)/income for the year	-	-	-	(3,488)	17,909	2,948,487	2,962,908	324,491	3,287,399
Transfer to statutory reserve	-	-	310,399	-	-	(310,399)	-	-	-
Balance as at 31 December 2019	15,112,500	18,000	2,780,991	134,598	8,823	6,803,545	24,858,457	3,855,830	28,714,287

Consolidated statement of changes in equity (continued)

	Equity attributable to owners of the Parent Company							Non-controlling interests	Total
	Share capital KD	Share premium KD	Statutory reserve KD	Foreign currency translation reserve KD	Cumulative changes in fair value KD	Retained earnings KD	Sub-Total KD	KD	KD
Balance as at 31 December 2017	15,112,500	18,000	2,290,317	119,624	458,822	4,144,990	22,144,253	1,715,994	23,860,247
Adjustment arising on adoption of IFRS 9	-	-	-	-	(467,042)	467,042	-	-	-
Balance as at 1 January 2018 (restated)	15,112,500	18,000	2,290,317	119,624	(8,220)	4,612,032	22,144,253	1,715,994	23,860,247
Dividend paid	-	-	-	-	-	(755,625)	(755,625)	-	(755,625)
Changes in non-controlling interests	-	-	-	-	-	-	-	62,451	62,451
Transaction with owners	-	-	-	-	-	(755,625)	(755,625)	62,451	(693,174)
Profit for the year	-	-	-	-	-	1,698,325	1,698,325	219,849	1,918,174
Other comprehensive income/(loss) for the year	-	-	-	18,462	(866)	-	17,596	3,289	20,885
Total comprehensive income/(loss) for the year	-	-	-	18,462	(866)	1,698,325	1,715,921	223,138	1,939,059
Transfer to statutory reserve	-	-	180,275	-	-	(180,275)	-	-	-
Balance as at 31 December 2018	15,112,500	18,000	2,470,592	138,086	(9,086)	5,374,457	23,104,549	2,001,583	25,106,132

The notes set out on pages 10 to 40 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

	Note	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
OPERATING ACTIVITIES			
Profit for the year before contribution to KFAS, provision for Zakat and board of directors' remuneration		3,429,351	2,022,595
Adjustments for:			
Dividend income		(690,330)	(712,171)
Change in fair value of investment property		-	(52,140)
Interest income		(66,773)	(37,184)
Depreciation		37,394	4,571
Finance costs on lease liabilities		10,533	-
Provision for employees' end of service benefits		84,393	150,224
		2,804,568	1,375,895
Changes in operating assets and liabilities:			
Investments at fair value through profit or loss		(6,480,792)	210,501
Accounts receivable and other assets		425,058	(443,164)
Accounts payable and other liabilities		257,497	1,421,462
Cash (used in)/from operations		(2,993,669)	2,564,694
Employees' end of service benefits paid		(12,622)	(42,735)
Net cash (used in)/from operating activities		(3,006,291)	2,521,959
INVESTING ACTIVITIES			
Additions for property and equipment		(3,976)	(2,916)
Increase in fixed deposit with bank with original maturity period exceeding three months		(700,000)	-
Dividend income received		689,339	712,171
Interest income received		60,717	37,184
Net cash from investing activities		46,080	746,439
FINANCING ACTIVITIES			
Cash dividend paid		(1,208,016)	(751,100)
Change in non-controlling interests		316,556	62,451
Repayment of lease liabilities		(30,371)	-
Finance costs paid		(10,533)	-
Net cash used in financing activities		(932,364)	(688,649)
Net (decrease)/increase in cash and cash equivalents		(3,892,575)	2,579,749
Cash and cash equivalents at beginning of the year		7,160,070	4,580,321
Cash and cash equivalents at end of the year	10	3,267,495	7,160,070
Non-cash transactions			
Accounts payable and other liabilities		(1,213,000)	-
Change in non-controlling interest		1,213,000	-
Right-of-use of assets		(702,282)	-
Lease liabilities		702,282	-

The notes set out on pages 10 to 40 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 Incorporation and activities of the Parent Company

Tharwa Investment Company was established as a Kuwaiti Closed Shareholding Company on 28 August 2006 as per the Memorandum of Incorporation No. 6156/Vol.1 as amended.

Tharwa Investment Company – KSC (Closed) ("the Parent Company") and its subsidiaries are collectively referred to as "the Group" in these consolidated financial statements. Details of subsidiaries are set out in note 6.

The Parent Company is regulated by the Central Bank of Kuwait and the Capital Markets Authority as an investment Company.

The shareholders of the Parent Company at the Extraordinary General Assembly held on 9 December 2019 approved to change the Parent Company's main activities, which was subsequently approved by the relevant authorities and recorded in the commercial register on 6 January 2020.

The Parent Company's main activities are as follows:

- Investment in real estate, industrial, agricultural and other economic sectors by contributing to the establishment of specialised companies or acquiring shares or bonds of these companies in various sectors inside and outside Kuwait.
- Contribution to the establishment of partial ownership of companies in different sectors.
- Managing funds of public and private institutions and investing these funds in various economic sectors, including management of financial and real estate portfolios.
- Performing brokerage role in lending and borrowing processes.
- Financing and brokerage in international trade operations.
- Providing loans to others in various sectors, taking into consideration the financial safety principles in granting loans and maintaining the continuity of safety of the financial position of the Company in accordance with conditions, rules and limits set by the Central Bank of Kuwait.
- Dealing and trading in foreign exchange market and precious metals market inside and outside Kuwait for the benefit of the Company only.
- Transactions related to the trading of securities including purchase or sale of shares and bonds of companies and local and international government agencies.
- Provide all services assisting to develop and enhancing the capacity of the financial and monetary market in Kuwait and meet its needs, all within the limits of the law and the procedures or instructions issued by the Central Bank of Kuwait.
- Investments consultant.
- Market maker.
- Collective investment scheme manager.

Further, the Parent Company has the right to participate and subscribe, in any way with other firms which operate in the same field or those which would assist in achieving its objectives in Kuwait and abroad and to purchase those firms or participate in their equity.

The address of the Parent Company's registered office is PO Box 811, Safat 13009, State of Kuwait, Al-Raya Tower (2), Floor 21 & 22, Abdulaziz Hamad Al-Saqar Street, Sharq, Kuwait.

The Board of Directors of the Parent Company authorised these consolidated financial statements for issue on 23 January 2020. The General Assembly of the Parent Company's shareholders has the power to amend these consolidated financial statements after issuance.

Notes to the consolidated financial statements (continued)

2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB, as modified for use by the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait("CBK"). The modification requires adoption of all IFRSs for such institutions except for the IFRS 9 requirement for measurement of estimated credit losses ("ECL") for credit facilities. The CBK requires to measure the provision for credit losses at the higher of provision calculated under IFRS 9 in accordance with the CBK guidelines, and the provision required by the prudential regulations of the CBK.. The Group does not have any credit facilities and, therefore, did not have any impact due to non-compliance of the ECL requirements of IFRS 9.

3 Changes in accounting policies

3.1 New and amended standards adopted by the Group

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

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 16 Leases	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019

IFRS 16 Leases

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

Transition on date of initial application:

On transition, for leases previously accounted for as operating leases management has assessed that these leases that fall under the definition of IFRS 16 have a remaining lease term of less than 12 months and therefore, the Group has elected the optional exemption to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The new accounting policy for leases is detailed in Note 4.16.

Annual Improvements to IFRSs 2015-2017 Cycle

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

IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

Notes to the consolidated financial statements (continued)

3 Changes in accounting policies (continued)

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

Annual Improvements to IFRSs 2015-2017 Cycle (continued)

IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalisation rate on general borrowings

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

3.2 IASB Standards issued but not yet effective

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

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

Standard or Interpretation	*Effective for annual periods beginning*
IAS 1 and IAS 8 - Amendments	1 January 2020
IFRS 3 - Amendments	1 January 2020

IAS 1 and IAS 8 – Amendments

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

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

IFRS 3 – Amendments

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies

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

4.1 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement of investments at fair value through profit or loss, investments at fair value through other comprehensive income and investment property.

The consolidated financial statements are presented in Kuwaiti Dinars (KD).

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

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

4.2 Basis of consolidation

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.3 Business combinations

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

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

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

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

4.4 Revenue recognition

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

The Group follows a 5-step process:

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.4 Revenue recognition (continued)

4.4.1 Asset management services

The Group provides asset management services to its customers and recognizes revenue from the following sources:

- *Management and performance fees*

Management fees is variable consideration based on the net assets value of portfolios and funds at pre-agreed rates in accordance with the respective contracts with customers for the supervision and managing portfolios' assets.

Performance fees is variable consideration based on the performance of portfolios and funds, relative to a benchmark of realised appreciation of the underlying investments of those portfolios and funds.

- *Custodian fees*

Custodian fees is variable consideration based on the net assets value of portfolios and funds at pre-agreed rates in accordance with the respective contracts with customers for the safe custody of the assets.

- *Transaction fees*

Transaction fees is variable consideration based on the net asset value of portfolios and funds at pre-agreed rates in accordance with the respective contracts with customers for conducting buy/sell transactions for the customers.

4.5 Interest income on financial assets

Interest income is recognised using the effective interest method.

4.6 Dividend income

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

4.7 Operating expenses

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

4.8 Taxation

4.8.1 Kuwait Foundation for the Advancement of Sciences (KFAS)

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

4.8.2 Zakat

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.9 Financial instruments

4.9.1 Recognition, initial measurement and derecognition

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

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

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

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

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

4.9.2 Classification of financial assets

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

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

The classification is determined by both:

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see note 4.9.3 below); and

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.3 Subsequent measurement of financial assets

a) Financial assets at amortised cost

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

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

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

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

- *Cash and cash equivalents*

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

- *Accounts receivable and other assets*

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

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

b) Financial assets at FVTOCI

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

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

A financial asset is held for trading if:

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.3 Subsequent measurement of financial assets (continued)

c) Financial assets at FVTPL

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

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

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

4.9.4 Impairment of financial assets

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

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

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

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

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

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.9 Financial instruments (continued)

4.9.4 Impairment of financial assets (continued)

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

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

4.9.5 Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include accounts payable and other liabilities.

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

- *Financial liabilities at amortised cost*

These are stated using effective interest rate method. Accounts payable and other liabilities are classified as financial liabilities other than at FVTPL.

Accounts payable and other liabilities

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

4.10 Amortised cost of financial instruments

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

4.11 Trade and settlement date accounting

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

4.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount 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, or to realise the assets and settle the liabilities simultaneously.

4.13 Fair value of financial instruments

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.13 Fair value of financial instruments (continued)

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

4.14 Impairment testing of non-financial assets

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

Impairment loss is charged pro rata to the assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.15 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequently, investment properties are re-measured at fair value on an individual basis based on valuations by independent real estate valuers and are included in the consolidated statement of financial position. Changes in fair value are taken to the consolidated statement of profit or loss.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

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

4.16 Leased assets

Accounting policy applicable from 1 January 2019

The Group as a lessee

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.16 Leased assets (continued)

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

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

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

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

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

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

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

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

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

Accounting policy applicable before 1 January 2019
The Group as a lessee
Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.17 Property and equipment

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

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

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

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

4.18 Provisions, contingent assets and contingent liabilities

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

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

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

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

4.19 Equity, reserves and dividend payments

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

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

Other components of equity include the following:

- foreign currency translation reserve – comprises foreign currency translation differences arising from the translation of financial statements of the Group's entities that have different reporting currency from the Parent Company.
- Cumulative changes in fair value reserve – comprises gains and losses relating to investments at fair value through other comprehensive income.

Retained earnings include all current and prior period profits.

All transactions with owners of the Parent Company are recorded separately within equity.

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

Notes to the consolidated financial statements (continued)

4 Summary of significant accounting policies (continued)

4.20 Foreign currency translation

4.20.1 Functional and presentation currency

The consolidated financial statements are presented in currency Kuwait Dinar (KD), which is also the functional currency of the Parent Company. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

4.20.2 Foreign currency transactions and balances

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

4.20.3 Foreign operations

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

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

4.21 End of service benefits

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

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

4.22 Fiduciary assets

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty

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

5.1. Significant management judgments

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

5.1.1 Business model assessment

The Group classifies financial assets after performing the business model test (please see accounting policy for financial instruments sections in note 4.9). This test includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured and the risks that affect the performance of the assets. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5.1.2 Judgements in determining the timing of satisfaction of performance obligations

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

5.1.3 Fair values of assets and liabilities acquired

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

5.1.4 Control assessment

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

5.1.5 Classification of real estate

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

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

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

5.2 Estimation uncertainty

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

Notes to the consolidated financial statements (continued)

5 Significant management judgements and estimation uncertainty (continued)

5.2 Estimation uncertainty (continued)

5.2.1 Impairment of financial assets

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

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

5.2.2 Impairment of right-of-use-of-assets

At the financial position date, the Group management determines whether there is any indication of impairment of right-of-use-of-assets. In estimating the recoverable amount of the right-of-use assets, management makes assumptions about the achievable market rates for similar properties with similar lease terms. This method uses estimated cash flow projections over the lease term of the assets. Due to the associated uncertainty, it is possible that the estimates of the amount of lease payment that will be recovered through the sub-lease of the property may need to be revised in the future years.

5.2.3 Fair value of financial instruments

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

5.2.4 Revaluation of investment property

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

6 Subsidiaries

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

Name of the subsidiary	Country of registration & place of business	Proportion of ownership interest held by the Group 2019	2018	Nature of business
TIC Real Estate Company B.S.C.	Bahrain	100%	100%	Real Estate
Tharwa Islamic Fund	Kuwait	67.75%	61.1%	Fund
Tharwa Arab Fund	Kuwait	54.60%	75.9%	Fund

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests

The Group includes two subsidiaries, with material non-controlling interests (NCI):

Name	Proportion of ownership interests and voting rights held by the NCI		Profit allocated to NCI		Accumulated NCI	
	2019	2018	2019	2018	2019	2018
Tharwa Islamic Fund	32.25%	38.9%	56,350	122,594	752,531	949,261
Tharwa Arab Fund	45.4%	24.1%	269,008	97,255	3,103,299	1,052,322
			325,358	219,849	3,855,830	2,001,583

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

6.2.1 Tharwa Islamic Fund

	31 Dec. 2019 KD	31 Dec. 2018 KD
Current assets	2,358,550	2,463,654
Total assets	2,358,550	2,463,654
Current liabilities	13,649	20,939
Total liabilities	13,649	20,939
Equity attributable to the shareholders of the Parent Company	1,592,370	1,493,454
Non-controlling interest	752,531	949,261

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Total comprehensive income for the year attributable to the shareholders of the Parent Company	98,916	162,962
Total comprehensive income for the year attributable to NCI	56,350	122,594
Total comprehensive income for the year	155,266	285,556

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Net cash flow from operating activities	167,668	134,307
Net cash flow from investing activities	75,277	124,183
Net cash flow used in financing activities	(253,080)	(249,333)
Net cash (outflow)/inflow	(10,135)	9,157

Notes to the consolidated financial statements (continued)

6 Subsidiaries (continued)

6.2 Subsidiaries with material non-controlling interests (continued)

6.2.2 Tharwa Arab Fund

	31 Dec. 2019 KD	31 Dec. 2018 KD
Current assets	6,880,104	5,608,808
Total assets	6,880,104	5,608,808
Current liabilities	42,080	1,235,750
Total liabilities	42,080	1,235,750
Equity attributable to the shareholders of the Parent Company	3,734,725	3,320,736
Non-controlling interest	3,103,299	1,052,322

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Total comprehensive income for the year attributable to the shareholders of the Parent Company	416,727	481,829
Total comprehensive income for the year attributable to NCI	269,008	97,255
Total comprehensive income for the year	685,735	579,084

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Net cash flow (used in)/from operating activities	(3,219,822)	704,327
Net cash flow from investing activities	237,428	195,441
Net cash flow from in financing activities	1,782,836	311,785
Net cash (outflow)/inflow	(1,109,558)	1,211,553

7 Revenue from contracts with customers

The Group earns revenue from contracts with customers from its asset management services, which is transferred over time.

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Management and performance fees	1,529,193	1,696,801
Custodian and other fees	89,047	87,123
	1,618,240	1,783,924

Revenue from local and GCC portfolios and funds represents 86.25% of the revenue from contracts with customers for the year ended 31 December 2019 (31 December 89.05%).

Notes to the consolidated financial statements (continued)

8 Other gains on financial assets

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Change in fair value of investments at FVTPL	1,418,133	729,401
Realised gain on disposal of investments at FVTPL	1,747,519	388,432
Dividend income (8.1)	690,330	712,171
	3,855,982	1,830,004

8.1 Dividend income

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Dividend income from investments at FVTPL	689,140	712,156
Dividend income from investments at FVTOCI:		
- Relating to investments held at the end of the year	1,190	15
	690,330	712,171

9 Basic and diluted earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of ordinary shares outstanding during the year as follows:

	Year ended 31 Dec. 2019	Year ended 31 Dec. 2018
Profit for the year attributable to the owners of the Parent Company (KD)	2,948,487	1,698,325
Weighted average number of shares outstanding during the year	151,125,000	151,125,000
Basic and diluted earnings per share attributable to the owners of the Parent Company (Fils)	19.51	11.24

10 Cash and cash equivalents

	31 Dec. 2019 KD	31 Dec. 2018 KD
Cash and bank balances	1,434,584	2,549,316
Short term deposit	700,000	700,000
Cash balances with portfolio managers	1,832,911	3,910,754
Cash and cash equivalents as per statement of financial position	3,967,495	7,160,070
Less: fixed deposits with original maturity period exceeding three months	(700,000)	-
Cash and cash equivalents as per statement of cash flow	3,267,495	7,160,070

Short term deposit carries average effective interest rate of 3.47% (31 December 2018: 2.92%).

Notes to the consolidated financial statements (continued)

11 Investments at fair value through profit or loss

	31 Dec. 2019 KD	31 Dec. 2018 KD
Local quoted shares	19,628,259	13,261,356
Foreign quoted shares	3,145,525	3,166,646
Local managed funds	1,923,523	1,792,134
	24,697,307	18,220,136

12 Accounts receivable and other assets

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial assets:		
Accrued income	400,795	835,079
Refundable deposit	41,340	37,250
Other assets	683	835
Total financial assets	442,818	873,164
Non-financial assets:		
Prepaid expenses	43,614	24,929
Other assets	85	6,435
Total non-financial assets	43,699	31,364
Total accounts receivable and other assets	486,517	904,528

13 Investments at fair value through other comprehensive income

	31 Dec. 2019 KD	31 Dec. 2018 KD
Quoted securities	49,873	13,218
Unquoted securities	421,097	439,843
	470,970	453,061

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

14 Investment property

Investment property represents a land located in Al-Seef district in Kingdom of Bahrain.

Notes to the consolidated financial statements (continued)

14 Investment property (continued)

The movement for investment property is as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Balance at the beginning of the year	782,100	726,230
Change in fair value	-	52,140
Foreign currency translation adjustment arising on consolidation	(645)	3,730
Balance at the end of the year	781,455	782,100

The details of fair valuation of investment property are disclosed in note 21.3.

15 Right-of-use of assets

The Group leases its office premises which have been accounted for as right-of-use assets as follows:

	Office premises KD
Cost:	
At 31 December 2018	-
Additions	702,282
At 31 December 2019	**702,282**
Accumulated Depreciation:	
At 31 December 2018	-
Depreciation expense for the year	35,114
At 31 December 2019	**35,114**
Net book value – 31 December 2019	**667,168**

The total cash outflow for leases for year ended 31 December 2019 amounted to KD151,348 (2018: KD147,258).

16 Accounts payable and other liabilities

	31 Dec. 2019 KD	31 Dec. 2018 KD
Accrued expenses and benefits	969,252	618,930
KFAS payable	44,161	16,225
Zakat Payable	28,917	18,176
Board of Directors' remuneration	95,000	70,000
Accrued dividends	10,536	9,552
Subscription received in advance (a)	-	1,213,200
Other liabilities	15,442	16,349
	1,163,308	1,962,432

a) During the year 2018, the Group received from a related party an amount of USD4,000,000 (equivalent to KD1,213,200) for the subscription of certain number of units in Tharwa Arab Fund, a subsidiary of the Group. Subsequently, during the current year, the units were issued by the Fund, and the Group recognised non-controlling interests of KD1,212,181. This transaction did not result in any gains or losses as the subscription was based on the net asset value of the Fund as at 31 December 2018.

Notes to the consolidated financial statements (continued)

17 Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Current	126,107	-
Non-current	545,804	-
	671,911	-

The Group has leases for offices. Future minimum lease payments at 31 December 2019 were as follows:

	Minimum lease payments due		Total
	One year KD	Between 1 year and five years KD	KD
31 December 2019:			
Lease payments	163,620	613,575	777,195
Finance charges	(37,513)	(67,771)	(105,284)
Net present values	126,107	545,804	671,911

18 Share capital and share premium

As at 31 December 2019, the authorized, issued and paid up share capital of the Parent Company consists of 151,125,000 shares with of 100 fils each (31 December 2018: 151,125,000 shares 100 fils each). All shares are paid in cash.

The share premium is non-distributable.

19 Statutory reserve

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

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount.

20 Related party transactions

Related parties represent directors and key management personnel of the Group, and other related parties such as major shareholders and companies in which directors and key management personnel of the Group are principal owners or over which they are able to exercise significant influence or joint control.

Notes to the consolidated financial statements (continued)

20 Related party transactions (continued)

Significant transactions and balances with related parties included in the consolidated financial statements are as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Balances in the consolidated statement of financial position:		
Accounts receivable and other assets	155,042	365,375
Accounts payable and other liabilities (note 16)	-	1,213,200
Remuneration and other benefits	683,200	482,245
Board of Directors remuneration	95,000	70,000

	Year ended 31 Dec. 2019 KD	Year ended 31 Dec. 2018 KD
Transactions included in the consolidated statement of profit or loss:		
Revenue from contracts with customers	619,538	624,647
Key management compensation:		
Short term benefits and other benefits	1,008,854	718,389
Board of Directors remuneration	95,000	70,000

21 Fair value measurement

21.1 Fair value hierarchy

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

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

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

Notes to the consolidated financial statements (continued)

21 Fair value measurement (continued)

21.1 Fair value hierarchy (continued)

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

	31 Dec. 2019 KD	31 Dec. 2018 KD
Financial assets:		
Financial assets at amortised cost:		
Cash and cash equivalents	3,967,495	7,160,070
Accounts receivable and other assets	442,818	873,164
Financial assets at fair value:		
Investments at fair value through profit or loss	24,697,307	18,220,136
Investments at fair value through other comprehensive income	470,970	453,061
Total	29,578,590	26,706,431
Financial liabilities:		
Financial liabilities at amortised costs:		
Accounts payable and other liabilities	1,163,308	1,962,432
Lease liabilities	671,911	-
Total	1,835,219	1,962,432

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

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

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

	Note	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
31 December 2019					
Investments at FVTPL:					
- Quoted shares	a	22,773,784	-	-	22,773,784
- Managed funds	b	-	1,923,523	-	1,923,523
Investment at FVTOCI:					
- Quoted shares	a	49,873	-	-	49,873
- Unquoted shares	c	-	-	421,097	421,097
		22,823,657	1,923,523	421,097	25,168,277
31 December 2018					
Investments at FVTPL:					
- Quoted shares	a	16,428,002	-	-	16,428,002
- Managed funds	b	-	1,792,134	-	1,792,134
Investment at FVTOCI:					
- Quoted shares	a	13,218	-	-	13,218
- Managed funds	b	-	-	439,843	439,843
		16,441,220	1,792,134	439,843	18,673,197

There have been no transfers between levels during the reporting period.

Notes to the consolidated financial statements (continued)

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments

Measurement at fair value
The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values, in consultation with third party valuation specialists for complex valuations, where required. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The methods and valuation techniques used for the purpose of measuring fair value are as follows:

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

b) Managed funds
The underlying investments of the funds primarily comprise of equity securities and the fair value of the investment as of the reporting date is determined based on net asset values reported by the fund manager.

c) Unquoted shares
Unquoted shares are measured at fair value estimated using various models such as adjusted net asset value reported using latest available financial information, discounted cash flow model or other valuation techniques which includes some assumptions that are not supportable by observable market prices or rates.

The following table provides information about the sensitivity of the fair values measurement to changes in the most significant unobservable inputs:

Financial asset	Valuation technique	Significant unobservable input	Range (weighted average)	Sensitivity of the fair value measurement to the input
Unquoted shares	NAV multiples	Net asset value reported	N/A	Higher the Net asset value, higher the fair value
		Discount for lack of marketability and Company specific risks	30%	Higher the discount rate, lower the value
Managed funds	NAV reported by investment manager	Fair market value/carrying value of the underlying assets	N/A	Higher the FMV/CV of the assets, higher the value

Level 3 Fair value measurements
The Group's measurement of financial assets and liabilities classified in level 3 uses valuation techniques inputs that are not based on observable market date. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	31 Dec. 2019 KD	31 Dec. 2018 KD
Opening balance	439,843	-
Transferred from cost to level 3	-	440,709
Change in fair value	(18,746)	(866)
	421,097	439,843

Notes to the consolidated financial statements (continued)

21 Fair value measurement (continued)

21.2 Fair value measurement of financial instruments (continued)

Changing inputs to the level 3 valuations to reasonably possible alternative assumption would not change significantly amounts recognised in profit or loss, total assets or total liabilities or total equity.

21.3 Fair value measurement of non-financial assets

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

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

Fair value of the investment property has been considered as Level 3.

22 Risk management objectives and policies

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

The Parent Company's Board of Directors sets out policies for reducing the risks discussed below.

The Group does not use derivative financial instruments.

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

22.1 Market risk

a) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group mainly operates in the Middle Eastern countries and USA and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to US Dollar, Saudi Riyal, United Arb Emirates Dirham and Kuwaiti Dinar. The Group's balance sheet can be significantly affected by the movement in these currencies. To mitigate the Group's exposure to foreign currency risk, non-Kuwaiti Dinar cash flows are monitored.

Generally, the Group's risk management procedures distinguish short-term foreign currency cash flows (due within twelve months) from longer-term cash flows. Foreign currency risk is managed by the Group by diversifying its investments geographically and monitoring the foreign currency movements and the Groups open positions on a regular basis.

Notes to the consolidated financial statements (continued)

22 Risk management objectives and policies (continued)

22.1 Market risk (continued)

a) Foreign currency risk (continued)

The Group's significant net exposure to foreign currency denominated monetary assets less monetary liabilities at the reporting date, translated at the closing rates are as follows:

	31 Dec. 2019 Equivalent KD	31 Dec. 2018 Equivalent KD
US Dollars	2,662,624	4,794,465

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

	Profit for the year	
	31 Dec. 2019 KD	31 Dec. 2018 KD
US Dollars	133,131	239,723

If the Kuwaiti Dinar had weakened against the foreign currencies by 5% (2018: 5%), then there would be an opposite impact on the profit for the year, and the negative balances shown above would be positive and positive balances will be negative.

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

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments.

The Group is not significantly exposed to interest rate as the Group does not have interest bearing liabilities at the reporting date except lease liabilities which are fixed at inception of lease.

c) Price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity price risk with respect to its listed equity investments, which are primarily located in Kuwait, KSA, USA and Europe. Equity investments are classified as investments at FVTOCI and investments at FVTPL.

The equity price risk sensitivity is determined on the exposure to equity price risks at the reporting date. If equity prices had been 5% higher, the effect on the profit for the years ended 31 December 2019 and 2018 would have been as follows. There is no significant effect on the other comprehensive income.

Notes to the consolidated financial statements (continued)

22 Risk management objectives and policies (continued)

22.1 Market risk (continued)

c) Price risk (continued)

	Domestic		GCC and MENA		International	
	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD	31 Dec. 2019 KD	31 Dec. 2018 KD
Investments at FVTPL	981,413	663,068	10,898	122,742	146,379	35,590

For a 5% decrease in the equity prices, there would be an equal and opposite impact on the profit for the year, and balances shown above would be negative.

22.2 Credit risk

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

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

	31 Dec. 2019 KD	31 Dec. 2018 KD
Cash and cash equivalents (excluding cash in hand)	3,967,457	7,159,735
Accounts receivable and other assets	442,818	873,164
	4,410,275	8,032,899

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

None of the Group's financial assets are secured by collateral or other credit enhancements.

The credit risk for bank balances, cash balances with portfolio managers and short term deposit is considered negligible, since the counterparties are reputable financial institutions and companies with high credit quality.

The credit risk on accounts receivable and other assets is considered low.

Notes to the consolidated financial statements (continued)

22 Risk management objectives and policies (continued)

22.3 Concentration of assets

The distribution of financial assets by geographic region for 2019 and 2018 is as follows:

	Domestic KD	GCC and MENA KD	International KD	Total KD
At 31 December 2019				
Cash and cash equivalents	2,173,336	41,909	1,752,250	3,967,495
Investments at FVTPL	21,551,782	217,952	2,927,573	24,697,307
Accounts receivable and other assets	442,293	525	-	442,818
Investments at FVTOCI	380,000	29,699	61,271	470,970
	24,547,411	290,085	4,741,094	29,578,590
At 31 December 2018				
Cash and cash equivalents	3,225,512	56,715	3,877,843	7,160,070
Investments at FVTPL	15,053,491	2,454,841	711,804	18,220,136
Accounts receivable and other assets	872,546	618	-	873,164
Available for sale investments	380,000	29,724	43,337	453,061
	19,531,549	2,541,898	4,632,984	26,706,431

22.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and monitors liquidity on a regular basis.

The table below summarises the maturity profile of the Group's assets and liabilities. Except for investments at FVTPL, investments at FVTOCI, investment property and right-of-use of assets, the maturities of assets and liabilities have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for investments carried at FVTPL, investments at FVTOCI, investment property and right-of-use of assets determined based on management's estimate of liquidation of those investments.

Maturity profile of all assets and liabilities at 31 December 2019 and 2018:

	1 year	Over 1 year	Total
	KD	KD	KD
At 31 December 2019			
ASSETS			
Cash and cash equivalents	3,967,495	-	3,967,495
Investments at FVTPL	24,697,307	-	24,697,307
Accounts receivable and other assets	486,517	-	486,517
Investments at FVTOCI	470,970	-	470,970
Investment property	-	781,455	781,455
Right-of-use of assets	-	667,168	667,168
Property and equipment	-	5,927	5,927
	29,622,289	1,454,550	31,076,839
LIABILITIES			
Accounts payable and other liabilities	1,163,308	-	1,163,308
Lease liabilities	126,107	545,804	671,911
Employees' end of service benefits	-	527,333	527,333
	1,289,415	1,073,137	2,362,552

Notes to the consolidated financial statements (continued)

22 Risk management objectives and policies (continued)

22.4 Liquidity risk (continued)

	1 year	Over 1 year	Total
	KD	KD	KD
At 31 December 2018			
ASSETS			
Cash and cash equivalents	7,160,070	-	7,160,070
Investments at FVTPL	18,220,136	-	18,220,136
Accounts receivable and other assets	904,528	-	904,528
Investments at FVTOCI	-	453,061	453,061
Investment property	-	782,100	782,100
Property and equipment	-	4,231	4,231
	26,284,734	1,239,392	27,524,126
LIABILITIES			
Accounts payable and other liabilities	1,962,432	-	1,962,432
Employees' end of service benefits	-	455,562	455,562
	1,962,432	455,562	2,417,994

The contractual maturity of financial liabilities based on undiscounted cash flows are as follows:

	On demand /up to 1 month	1-3 Months	3-12 months	Over 1 year	Total
	KD	KD	KD	KD	KD
31 December 2019					
Financial liabilities					
Accounts payable and other liabilities	-	1,065,001	98,307	-	1,163,308
Lease liabilities	40,905	-	122,715	613,575	777,195
	40,905	1,065,001	221,022	613,575	1,940,503
31 December 2018					
Financial liabilities					
Accounts payable and other liabilities	1,226,060	647,711	88,661	-	1,962,432
	1,226,060	647,711	88,661	-	1,962,432

23 General assembly

The ordinary General Assembly of the shareholders held on 11 March 2019 approved the consolidated financial statements for the year ended 31 December 2018, the directors' proposals to distribute cash dividends of 8 Fils per share equivalent to KD1,209,000 and to pay the board of directors an amount of KD70,000 as remuneration for the year ended 31 December 2018.

The directors' proposed for the year ended 31 December 2019, to distribute cash dividends of 10 Fils per share equivalent to KD1,511,250 and to pay the board of directors an amount of KD95,000 as remuneration subject to the approval of the shareholders at the General Assembly of shareholders.

Notes to the consolidated financial statements (continued)

24 Fiduciary assets

The Parent Company, as a portfolios and funds manager on behalf of related parties and others, maintains securities in fiduciary accounts which are not reflected in the Group's statement of financial position. Assets under management at 31 December 2019 amounted to KD154,777,681 (31 December 2018: KD144,026,351), including the funds with assets value of KD9,228,096 (31 December 2018: KD6,858,632) which have been consolidated in these consolidated financial statements.

The Group earned total fees of KD1,618,240 (2018: KD1,783,924) from the asset management activities.

25 Capital risk management

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

The Group manages the capital structure and makes adjustments in the light of changes in economic conditions and risk characteristics of the underlying assets. The Group has no credit facilities, as the Group depends on its cash to finance its activities.