شركة الساحل للتنمية والاستثمار ش.م.ك.ع

COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

Since 1975 منذ

Annual Report 2019

شركة الساحل للتنمية والاستثمار ش.م.ك.ع

COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

Since 1975

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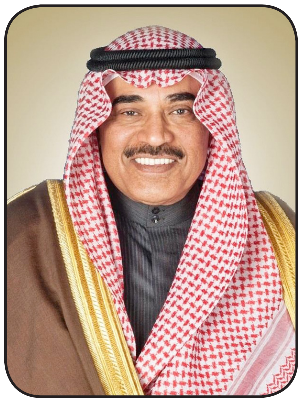
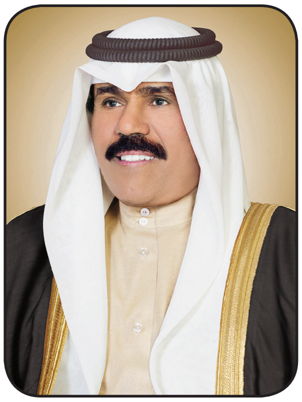
His Highness Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir Of The State Of Kuwait



His Highness Sheikh
Sabah Al Khaled Al hamad Al-Sabah
The Prime Minister



His Highness Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince

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COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

Since 1975

Board of Directors

Osama Abdulla Al-Ayoub
Chairman

Asaad Ahmad Al-Banwan
Vice Chairman

Abdulwahab Mohammad Alwazzan
Board Member

Elmoatez Adel Elalfi
Board Member

Abdulla Sayer Al-Sayer
Board Member

Basim Abdulla Al-Othman
Board Member

Message From The Chairman

Dear Shareholders of Coast Investment and Development Co.

May the peace and blessings of Allah be upon you.

It is My fellow members of the board of directors and my pleasure to meet with you and discuss the annual report of Coast Investment and Development Co. for the financial year ending on December 31ST, 2019.

The year 2019 has built upon the economic expansion of the past three years, and continued stability of financial markets. However, downside risks to the outlook are elevated. Trade barriers and heightened geopolitical tensions, including trade related risks, could further disrupt supply chains and hamper confidence, investment, and growth.

Global growth registered 3.1% in 2019, a decline from 3.6% in 2018. Monetary policy has significantly eased almost simultaneously across advanced and emerging markets, which helped spur demand, however Central Banks are slowly running out of further ability to cut rates. Particularly notable was the slowdown in manufacturing output across the world, which has a significant correlation to crude oil demand

Equity markets in the United States and Europe have lost some ground but are still well above the lows during the sell-off at the end of 2018. Capital flows to emerging market economies have reflected the broader shifts in risk sentiment throughout the year, with investors lowering their exposure to equities as they approached record valuations.

In the United States, the economy maintained momentum throughout the year. Even though investment remained sluggish, employment and consumption were at record highs. The effects of the 2017 tax cuts were still supporting labor markets and consumption, however the effects are diminishing over time.

In the Euro Zone, weaker growth in foreign demand and a drawdown of inventories due to weak industrial production have kept a lid on growth since mid-2018. Activity is expected to pick up only modestly over into 2020, as external demand is projected to regain some modest momentum.

Crude oil prices ended 2019 on a high note due to improving sentiment, sparked in part by the announcement of a ‘phase one’ trade deal between the US and China. OPEC’s agreement to deepen production cuts in a bid to correct the supply glut was particularly important in keeping prices stable. The inclusion of Russia in the OPEC+ grouping had a significant impact on tapering global supply.

Kuwaiti Crude prices closed the year above $68 per barrel, an increase of 31% over 2018, after hitting a yearly high of $69.0 per barrel in December. Prolonged geo-political tension between the US and Iran also continues to have a significant impact, raising the risk premium, insurance, and transportation costs. In December, OPEC+ agreed to deepen production cuts by a further 0.5 million barrels per day, and have communicated a willingness to further cuts should the need arise.

Boursa Kuwait witnessed a very upbeat 2019 performance, with the All Shares Index up by 23.7%, whereas the Premier Market Index recorded a stunning 32.3% gain in 2019. A large contributor to these gains was the upgrade of Boursa Kuwait by FTSE to 'emerging status' and the anticipated MSCI upgrade in 2020. The resultant foreign capital inflows have also helped lift ailing volumes, particularly in the Premier Market. Foreign ownership in Kuwaiti banks was the largest recipient of foreign direct investment during the year.

On the internal level, the return from associate companies has decreased, particularly the Kuwaiti-German company, which is a major investment for the company. Accordingly, the company recorded a net profit of 586 thousand Kuwaiti dinars compared to 1.4 million Kuwaiti dinars in 2018. The total assets decreased by 1.75% and the shareholders' equity decreased by 1.6%. The company has strived to benefit from the rise in local share prices, while trying to reduce the negative impact of events in the region and the rest of the world. The company is also still debt free, in good financial standing, and with no pending legal obligations, giving it the ability to recover it's leading position in the Kuwaiti economy. The appropriate investment approach and diversification policy of the current portfolio as well as strict risk management will benefit the company in 2020 and beyond.

On this occasion, I would like to extend my sincere appreciation to the shareholders of the company , the board of directors and all the staff at Coast for their continued and unwavering support. We remain hopeful that Almighty Allah will continue to bestow more success on Coast in the future.

May Allah protect Kuwait and its people from all evil.

Osama Abdulla Al-Ayoub
Chairman

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GOVERNANCE REPORT FOR THE YEAR 2019

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1 - Building a Balanced Structure for the Board of Directors

1. The Board of Directors of Coast Investment & Development Company KSCP enjoys a structure that suits the Company's size and nature. The Board includes members who enjoy professional experience, high education standards and specialized talents in addition to a considerable knowledge of the laws as well as their own rights and duties. The Board of Directors consists of the following members:
2.

Name	Member classification (executive / non-executive, independent) / secretary	Education and experience	Date elected / re-elected / Appointment of the secretary
Mr. Anwar Jassim Al-Kharafi	Chairman of the Board of Directors Non-executive	Bachelor of Commerce, 19 years of experience	5/6/2016
Mr. Bader Mohammad Al-Qattan	Deputy Chairman of the Board of Directors, Non-executive member	Bachelor of Mechanical Engineering, 11 years of experience	5/6/2016 14/12/2017
Mr. Khaled Abdulaziz Al-Usaimi	Member of the Board of Directors, Non-executive	Bachelor of Industrial Engineering, 28 years of experience in the financial field	5/6/2016
Mr. Muneer Abdulmohsin Al-Sharhan	Member of the Board of Directors, Non-executive	Master of Management, 30 years of experience	5/6/2016
Mr. Mesaed Khalifah Al-Kharafi	Member of the Board of Directors, Non-executive	Master of Business Administration, 7 years of experience	5/6/2016 14/12/2017
Mr. Hamed Yousef Al-Bader	Member of the Board of Directors, Independent	Master of Business Administration, 5 years of experience	5/6/2016 14/12/2017
Mr. Mohammad Rashed Al-Qaoud	Board Secretary	Bachelor of Accounting, 34 years of experience	5/3/2014

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2 - On 23/05/2019, a new board of directors was elected consisting of the following members :

Name	Exec/non Exec independent	Education & Experience	Election re-election date
Osama A. Al-Ayoub	Chairman – Non Exec	Bachelors Engineering 23 Yrs	23/05/2019
Asaad A. Al-Banwan	Vice Chairman – Non Exec	Bachelors Administration 14 Yrs	23/05/2019
Abdulwahab M. Al-Wazzan	Board Member – Non Exec	Bachelors Administration 22 Yrs	23/05/2019
Basim A. Al-Othman	Board Member – Non Exec	Bachelors Literature 5 yrs	23/05/2019
ElMoatez A. ElAlfi	Board Member – Non Exec	Bachelors Agriculture 45 yrs	23/05/2019
Abdulla S. Al-Sayer	Board Member – Independent	Masters in Finance 5 yrs	23/05/2019

3- The Board of Directors meetings were 8 meetings for 2019 and as follows:

Member's name	Meeting 1	Meeting 2	Meeting 3	Meeting 4	Meeting 5	Meeting 6	Meeting 7	Meeting 8
	13.01	28.03	29.04	12.05	23.05	16.06	13.10	10.11
Anwar Al-Kharafi Chairman	x	x	x	✓				
Bader Al-Qattan Vice Chairman	✓	✓	✓	✓				
Khaled Al-Usaimi Member	✓	✓	✓	✓				
Munir Al-Sharhan Member	✓	✓	x	x				
Hamed Al-Bader (Independent)	✓	✓	✓	✓				
Musaed Khalifa Al-Kharafi (Member)	✓	x	x	x				
Osama Al-Ayoub (chairman)					✓	✓	✓	✓
Asaad Al-Banwan (vice chairman)					✓	✓	✓	✓
Abdulwahab Al-Wazzan Member					✓	✓	✓	✓
Basim Al-Othman Member					✓	✓	✓	x
El,oatez El=Alfi Member					✓	x	✓	✓
Abdulla Al-Sayer Independent					✓	✓	x	✓

4- A summary of how was the requirements for registration, coordination and archiving of board meeting minutes implemented :

On 5/3/2014, the Board of Directors of Coast Investment & Development Company appointed Mr. Mohammad Rashed Al-Qaoud, an employee of the Company in the position of Senior Vice President – Support Group, as secretary of the Board of Directors, and specified his duties and responsibilities according to the charter of the Board of Directors and his job description. The secretary keeps an electronic register of all the minutes of the Board meetings, in serial numbers for the year in which the meetings were held, stating the place and time of each meeting, the start and finish time of each meeting for ease of reference. He also keeps the reports presented to and by the Board of Directors. The secretary is keen to observe the legal times for giving notice of the Board meetings, ensures the proper delivery and distribution of information and coordination among members and stakeholders under the supervision of the Chairman.

Sound identification of duties and responsibilities

1- Coast Investment & Development Company has drown down and adopted a charter for the Board of Directors , setting forth the responsibilities and prerogatives of each of the Board Chairman and members and the Executive Management members, with a job dscription for each of them. The Charter specifies the limits of powers and responsibilities vested by the Executive Management to manage the day-to-day matters of the company and the financial and operating powers given to them, while specifying the matters that may not be delegated to the Executive Management or the Chief Executive Officer but require prior Board approval. The Charter has been reviewed and amended several times, most recently on 16/06/2019. The Board has set and monitors a policy of key performance indicators (KPIs) to follow up the performance of the Board and Executive Management members on a periodical basis.

The most important achievements of the Board of Directors during the year 2019 .

1. Discussing and approving the financial statements of the company during the required periodic terms.
2. Approving the corporate governance report for the year 2018, which was presented to the company's ordinary general assembly during 2019, as well as the semi-annual risk management report submitted to the Capital Markets Authority.
3. Approving the classification of assets as per IFRS 9 standards and its impact on the financial position of the company.
4. Reviewing the report of the Compliance and Compliance Officer on combating money laundering and terrorist financing submitted to the Capital Markets Authority.
5. Reviewing the periodic reports regarding the cases filed by and against the company and circulating before the courts.
6. Viewing the internal audit reports related to the various departments of the company, and the notes contained therein, and following up the procedures for correcting them.
7. Working to re-examine the issue of the salary scale and the incentives system in the company by assigning specialized companies in this field.

About the application of the requirements of the Board of Directors to specialized committees that enjoy independence

The Board of Directors has three board committees: the Audit Committee, Risk Management Committee and Nominations and Remunerations Committee, each of which has its own charter that sets forth the formation, term, powers and responsibilities of the committee and the way the Board exercises control over it, the respective responsibilities, rights and duties of its members and how they are appraised. The Board made sure that its committees include independent members subject to such conditions and controls as

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have been laid down by the Capital Markets Authority

The Audit Committee:
The Audit Committee was formed on 18/12/2017. The Committee consists of:

Name	Title
Mr. Hamed Yousef Al-Bader	Chairman, independent member
Mr. Munir Abdulmohsin Al-Sharhan	Member
Mr. Bader Mohammed Al-Qattan	Member

On 23/05/2019 , a new board of directors was elected for following 3 years and
a new Audit Committee was formed on 16/06/2019 as follows :

Name	Title
Mr. Asaad A. Al-Banwan	Chairman
Mr. Abdulwahab M. Al-Wazzan	Member
Mr. Basim A. Al-Othman	Member
Mr. Abdulla S. Al-Sayer	Member - Independent

The Committee held (7) meetings during the year 2019, during which it reviewed the internal audit reports of some of the company's departments and the observations contained therein, and made observations on them and the steps that must be taken to avoid these observations in the future, and recommending the reappointment of the company's external auditor after confirming its independence for the fiscal year ending On December 31, 2019, reviewing the report of the Independent Audit Office for the examination and evaluation of internal control systems (ICR), discussing the external auditor's report on the quality of the performance of the Internal Audit Department for the years (2016/2017/2018), and reviewing the results of the audit reports to ensure that the necessary corrective measures have been taken regarding the notes contained in the reports, reviewing the periodic financial statements before submitting them to the Board of Directors, expressing an opinion and recommending them to the Board of Directors, with a view to ensuring fairness and transparency of financial reports, and holding periodic meetings with the Company's external auditor to discuss the financial information , latest developments and new requirements in accordance with International Financial Reporting Standards (IFRS), in addition to evaluating the performance of the Internal Audit Unit and the Internal Audit Officer and reviewing and approving the plan of the internal audit plan for the 2019/2020 period Also, amending the Charter of the Audit Committee and submitting it to the Board for approval

The Risk Management Committee

The Risk Management Committee was formed on 18/12/2017. The Committee consists of:

Name	Title
Mr. Bader Mohammed Al-Qattan	Chairman of the Committee
Mr. Khaled Abdulaziz Al-Osaimi	Member
Mr. Musaed Khalifa Al-Kharafi	Member

On 23/05/2019 , a new board of directors was elected for following 3 years and the Risk Management Committee was formed on 16/06/2019 as follows :

Name	Title
Mr. Abdulwahab M. Al-Wazzan	Chairman
Mr. Asaad A. Al-Banwan	Member
Mr. Basim A. Al-Othman	Member
Mr. Abdulla S. Al-Sayer	Member - Independent

In 2019, the committee held four meetings during which it reviewed the Risk Management report for the Forth Quarter of 2018 in addition to the First and Second quarters of 2019 and presented them to the Board of Directors, recommend to the board of directors to reconsider risk concentration and how to deal with the funds and managed funds by the company in addition to amending the charter of the Risk Management committee and presenting it to the Board of Directors.

The Nominations and Remunerations Committee

The Nominations and Remunerations Committee was formed 18/12/2017. The Committee consists of:

Name	Title
Mr. Anwar Jassem Al-Kharafi	Chairman of the Committee
Mr. Musaed Khalifa Al-Kharafi	Member
Mr. Hamed Yousef Al-Bader	Member

On 23/05/2019 , a new board of directors was elected for following 3 years and the Nominations and Remunerations Committee was formed on 16/06/2019 as follows :

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Name	Title
Mr. Osama A. Al-Ayoub	Chairman
Mr. Asaad A. Al-Banwan	Member
Mr. Elmoatez A. El-Alfi	Member
Mr. Abdulla S. Al-Sayer	Member - Independent

The Committee held (3) meetings during the year 2019 during which the remuneration report of the members of the Board of Directors and the executive management for the year 2018 was prepared and submitted to the Board of Directors for approval, and the amendment of the Charter of the Nomination and Remuneration Committee, in addition to reviewing and amending the job description of positions and jobs that must be registered with the company and submitted to the Board of Directors for approval .

- The company, through its executive management, created a special account for each member of the board of directors on the company's website, which enables him to access anytime, anywhere and through any device all the information it needs from reports, policies, procedures, meeting minutes and other information that can help it in Make his decision, in addition to the council's secretary preparing the council's meeting agenda well in advance of its meeting and preparing all the required documents and reports according to the schedule where all the reports and documents are reviewed by the group's president and by the CEO in order to ensure that these are correct Data and adequacy before presentation to the Board, and is sent to those reports and documents (3) days prior to the work of the meeting scheduled for members in order to give them enough time to study and comment and give recommendations.

The Board of Directors has also adopted a manual of policies and procedures for members of the Board of Directors to obtain information, detailing the procedures followed in the event of a member of the Board requesting any information or reports during the meeting, and instructing the Board Secretary in coordination with the Chairman of the Board to follow up on the implementation of this guide and make sure of its effectiveness continuously.

1- Selecting Efficient Persons for Membership of the Board of Directors and the Executive Management

1- On 23/05/2019, the Board of Directors formed the Nominations and Remunerations Committee from its members. , and consisted of the following:

Name	Title
Mr. Osama A. Al-Ayoub	Chairman of the Committee
Mr. Asaad A. Al-Banwan	Member
Mr. Elmoatez A. El-Alfi	Member
Mr. Abdulla S. Al-Sayer	Member – Independent

A charter was drawn for this Committee setting forth all the duties and responsibilities vested in it, the method of its formation and its term.The Charter was amended on 16/6/2019 .

4 - Ensuring the Integrity of Financial Reports

The company has put in place mechanisms that confirm the integrity and integrity of its financial data by presenting these data to the audit committee for their auditors before submitting them to the board of directors in order to ensure the safety and transparency of financial reports, in addition to taking written pledges by both the board and executive management stating the safety and integrity of these reports Prepared according to the international accounting standards applied in the State of Kuwait and approved by the Capital Markets Authority and that it reflects the financial position of the company as on December 31, 2019, in addition to including the annual report submitted to the shareholders with those written pledges that indicate The integrity and integrity of the financial statements as well as reports related to the company's activity.

After his election on May 23, 2019, the new board of directors has formed an audit committee from among its members consisting of (4) members, one of whom is an independent member who has practical experience in the accounting and financial field, and the council has set its duration for three years, and one of its main tasks is to ensure the adequacy of The effectiveness of the internal control systems applied in the company.

It also gave the company's board of directors the full independence audit committee to exercise its tasks and make recommendations it deems appropriate, and the right to seek assistance from any independent advisory body, in addition to granting the committee the right to recommend the appointment and reappointment of the company's external auditor or change it and determine its fees and to ensure its independence from the company and its board of directors, And provided that he is registered in the Special Register with the Authority and that the Board raise his proposal to appoint or reappoint the Company's external auditor to the General Assembly of the shareholders upon the recommendation of the Committee. The Board has adopted a policy and procedures for the selection and independence of the external auditor, whereby the audit committee is mandated to ensure the independence of the external auditor to be appointed or reappointed through an annual review conducted by the committee to ensure the availability of the requirements of the regulatory authorities, professional competence standards, independence and reputation standards.

The Charter of the Audit Committee also stipulated that in the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, including when the Board refuses to follow the recommendations of the Committee with regard to external auditors and / or the internal auditor, the Board is obligated to include in the annual corporate governance report for shareholders a statement detailing and clarifying the recommendations And the reason or reasons behind his decision not to abide by it.

5 - Laying Down Sound Systems for Risk Management and Internal Controls

1- The Company has created a unit for risk management and appointed a risk management officer whose function would be to measure, monitor and minimize all kinds of risks to which the Company is exposed. The risk management officer has been given full independence in exercising his powers and subsequently changed his reporting relationship to report to Risk Management Committee, and, therefore, to the Board of Directors. Furthermore, the Committee laid down and adopted policies and procedures for risk management to be reviewed periodically for amendment whenever needed, including the mechanism for periodical reporting to the Board of Directors. The Company also laid down an appropriate mechanism within the policies and procedures of risk management in order to enable the Risk Management Officer to review the deals and transactions concluded by the Company with related parties and make appropriate recommendations with regard thereto.

About Implementing the requirements to form Risk management committee

After elected on 23/05/2019 , the board of directors has formed a committee of 4 out of it's members ,one of which is independent , chaired and formed from non-executives for a period of 3 years as follows :

Name	Title
Mr. Abdulwahab M. Al-Wazzan	Chairman of the Committee
Mr. Asaad A. Al-Banwan	Member
Mr. Basim A. Al-Othman	Member
Mr. Abdulla S. Al-Sayer	Member – Independent

The Board of Directors also amended its charter on 16/6/2019, which included all the tasks and responsibilities entrusted to it according to the instructions of the Capital Markets Authority, how it is formed and its duration.

A summary explaining the internal control systems

1- **The role of the Board of Directors**

The board of directors is obliged to periodically verify the effectiveness and adequacy of the internal control systems in force in the company, which include, but are not limited to:

- Ensuring the integrity of the financial and accounting systems, including those related to the preparation of financial reports.
- Ensure that appropriate control systems are in place to measure and manage risks by identifying risks that the company may face and creating an environment familiar with a culture of risk reduction at the company level.

2- **Actions taken to ensure the adequacy of the internal control systems**

- Define the organizational structure and approve it by the Board of Directors.
- Preparing a job description for all company employees.
- Update the matrix of powers and financial authorities to determine the level of financial powers granted to the Board of Directors and the Executive Management.
- Determine the company's approved signatures with external parties, as well as the principle of dual control for all daily operations.
- Preparing a corporate governance framework approved by the Board of Directors, which includes procedures to be followed for how to avoid illegal practices that may lead to conflicts of interest and expose the company to any financial, legal or regulatory problems.
- Update the approved policies and procedures continuously and in accordance with the work requirements and take into account the complete separation between the activities that the company is engaged in so as to ensure that no information is leaked between these activities.

A brief statement on the implementation of the requirements for forming an independent internal audit unit

The company has created an internal audit unit in the company and this unit has been given full technical independence through its affiliation with the Audit Committee and by extension to the Board of Directors, and the company has commissioned an external party (RSM) to undertake the responsibility of independently assessing and inspecting the internal operating systems of the company in accordance with the professional rules and standards for internal auditing and providing Recommendations and reports for the higher management and the audit committee, in addition to registering an employee of the company with the authority as an internal audit official based on the recommendation of the audit committee to coordinate and follow up with the external external authority, following the reports sent to all The departments of the company to determine the extent of their adherence to the recommendations of the external party, with regard to internal audit work. The company has also established internal policies and procedures for the internal audit unit that include all its tasks and powers, reports that it must prepare and related to the adequacy and effectiveness of internal control systems and identifying weaknesses in the application of internal control systems that may affect the financial performance of the company and the measures that can be taken in this regard. In addition, the company appointed an independent audit office that evaluated and reviewed the company's internal control systems for the year 2019, in addition to appointing another audit office that reviewed the performance of the internal audit unit and submitted a report to that to the Audit Committee and the Board of Directors for the years (2016/2017/2018).

6 - Promoting Professional Conduct and Ethical Values

1- The Company drew a Professional Conduct and Ethical Rules Manual to be reviewed and amended from time to time, outlining the standards and controls related to the observance of the laws by every member of the Board of Directors and the Executive Management, avoiding the abuse of power in order to achieve personal benefits and avoiding the exploitation and abuse of the Company's assets for personal purposes. Furthermore, the Company regulated trading based on inside information, the relationship with related parties, disclosure of interests, the reporting of illegitimate practices and the procedure for protecting whistleblowers.

2- The Company also drew a policy and procedures for curbing conflicts of interest, addressing events of conflicts of interests related to the Board of Directors, the Executive Management, the Company's employees and the external auditor and other events, as well as the procedure that should be followed in every such event.

7 - Accurate and Timely Disclosure and Transparency

The Company has laid down policies and procedures related to disclosure, to be reviewed and amended from time to time pursuant to such instructions as may be issued by the Capital Markets Authority. These policies and procedures specifies the financial, administrative and operating information that should be disclosed and the procedures that should be followed in this regard. Additionally, a Shareholders Affairs Unit was established at the company with full independence and responsibility for communicating with prospective shareholders and investors in the Company, providing them with all information that may help them exercise their rights. To this end, the new website of the company shows all the disclosures made by the Company, financial reports and statements, information about the company, Board of Directors and Executive Management, with a special section designated for corporate governance. The Company keeps an electronic register of all disclosures made regarding the company, members of the Board of Directors and the Executive Management. This register may be accessed by all shareholders free of charge and is updated periodically.

8- 9 Respecting Shareholders Rights and Awareness of the Role of Stakeholders

The Board of Directors has adopted a policy and procedures that regulate the Company's relationship with its shareholders and all stakeholders such as its employees, shareholders, creditors, customers and service providers and how their rights and transactions may be protected in all fairness and equality, thereby safeguarding the rights of the Company. The rules of governance laid down by the Capital Markets Authority, and enshrined in the Companies Law, as well articles of association and internal policies of the company and the systems and contracts constitute the key source of reference in determining the rights and duties of both shareholders and stakeholders. The company seeks to specify and clarify those contracts, the rights and duties of counterparties and how to perform them, the consequences of default of performance, the limits of liability and the methods of resolving disputes that may arise from the execution of those contracts in such a way as to protect the interests of stakeholders in their relationship with the Company.

The Company also keps a register of the names, nationalities and places of domicile of the shareholders and the number of shares owned by each of them. This register is updated periodically according to the information received by the Company and a copy of this register is kept by the clearing agency. The register may be accessed by all shareholders subject to the strictest standards of confidentiality and protection consistent with the provisions of the law.

Shareholders are encouraged to participate in and vote at any meetings or events convoked by the Company's Board of Directors including the invitation to attend the general assembly during 2019 in line with the policies and procedures designed to protect the rights of all shareholders.

10- Performance Enhancement and Improvement

A summary of the application of the requirements for setting mechanisms that allow the members of the Board of Directors and the Executive Management to obtain continuous training programs and courses

An introductory and explanatory bulletin has been drawn and distributed to the members of the Board of Directors in order to ensure that they have an appropriate understanding of the work progress at the Company. The bulletin contained information related to the strategy and objectives of the company at the time, the financial and operational aspects of all the Company's activities, their and the Company's legal and supervisory obligations, their rights and duties and the role of the Board of Directors committees. Furthermore , an annual plan has been put to facilitate the a training program for the board of directors and the executive management in relation to corporate governance and anti-money laundering and combating terrorism as well as workshops related to executive management responsibilities .

An overview of how the Board of Directors performed as a whole and the performance of each member of the Board of Directors and executive management.

A policy and procedures related to the key performance indicators (KPIs) was drawn with a view to evaluate the performance of every member of the Board of Directors and the Executive Management on a periodical basis and the extent of the contribution of every member in terms of attending the meetings of the Board and the Committees.

how to evaluate the performance of the board of directors as a whole and the performance of each member of the board of directors and executive management.

A manual of policy and procedures for objective performance indicators (KPIs) have been established to evaluate the performance of the Board as a whole and each member of the Board of Directors and the Executive Management on an annual basis and prepare reports in this regard so that the evaluation form of the Council and each member is done separately to assess its performance and the extent of the contribution of each member in attending the Board meetings And committees. The same applies to members of the executive management, including the CEO, according to specific measures on the basis of which each of them is held accountable according to their annual performance.

The efforts of the Board of Directors to create institutional values for workers in the company

The company pays a great deal of attention to creating the institutional values of its employees, because of its confidence that the promotion of institutional values is the driving force of the company and its employees, which expresses its entity and distinguishes it from others. Therefore, the company's success in achieving its strategic goals and enhancing the confidence of its investors is one of the pillars of creating institutional values, through the company's constant keenness to adhere to the laws and instructions on corporate governance.

The company has adopted integrated reporting systems as one of the effective tools in achieving the strategic goals of the company and thus creating institutional values for employees, which motivates them to work continuously to maintain the financial integrity of the company, and it prepares and reviews these reports periodically which helps the board of directors and the executive management to make a systematic decision-making And then achieve the interests of the shareholders. The company also follows a methodology for granting rewards and appreciation of its employees through periodic evaluations that it conducts for employees, in addition to the commitment of employees to the rules of professional conduct adopted by the company, which are part of the corporate governance framework applied in the company.

11- Focusing on the Importance of Social Responsibility

The Company has drawn a policy and procedures for social responsibility guided by its awareness of the importance of the role it plays within the national economy and Kuwaiti society. Coast Investment and Development Company strongly believes in and embraces its social responsibility as a principle that ensures the sustainability of benefit for its shareholders and all parties who deal with it. The Company continuously seeks to build a work model in this aspect which is firmly based on and deeply rooted in the following elements: market, employees, environment and society.

In line with the social responsibility of the company towards the economy and society, the company has contacted with Kuwait University to consider the necessity of updating the computer lab of the Faculty of Social Sciences at Kuwait University or any other matters through which the company contributes to bearing responsibility, except that, due to the circumstances of the university's move to its new location, Postponing work on this issue. This is in addition to the continuous updating of the company's website to highlight the company's efforts in the field of social responsibility.

COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2019

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Coast Investment & Development Company K.S.C.P (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the related consolidated statement of profit or loss, consolidated statement of 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 by 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment assessment of investment in associates

The Group's investment in associates amounted to KD 36,392,709 as at 31 December 2019 (2018: KD 37,769,857), representing 64% (2018: 66%) of the total assets of the Group. Investment in associates are accounted for under the equity method of accounting. At the end of each reporting date, the Group determines whether there is objective evidence that the investment in associates is impaired. If such indication exists, the entire carrying value of the investment in associate will be tested for impairment by comparing the carrying value of the investment to its recoverable amount. The recoverable amount of investment in associates is determined based on value-in-use calculations which require the use of assumptions such as

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)
Report on the Audit of the Consolidated Financial Statements (continued)
Impairment assessment of investment in associates (continued)

estimated future cash flow projections, terminal value growth rate and appropriate discount rates.

Given the significant judgments and estimates involved in the impairment assessment of investment in associates, we have considered this as a key audit matter.

Our audit procedures included, amongst others, the following:

- We evaluated management's considerations of the impairment indicators of investment in associates and the qualitative and quantitative factors used such as the investee's financial performance including dividends, and market, economic or legal environment in which the associates operates.
- We assessed management's assumptions, including the comparison of relevant assumptions to industry benchmarks, economic forecasts, formal approved budgets and benchmark the accuracy of the management's budget and forecast to actual performance in prior years.
- We involved our internal valuation specialists to challenge the significant assumptions and valuation methods used by the management, and the reasonableness and appropriateness of those assumptions and methods in the circumstances.
- We evaluated the adequacy of the Group's disclosures in Note 7 to the consolidated financial statements, including disclosures of key assumptions, judgements and sensitivity analysis.

Valuation of investment securities

The Group's investment securities represent 21% of the Group's total assets classified as financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI), of which KD 7,721,747 are measured at fair value using significant observable inputs (Level 2) and KD 4,164,936 using significant unobservable inputs (Level 3), as disclosed in Note 18 to the consolidated financial statements.
The valuation of the Group's investment securities involves the use of assumptions and estimates, predominantly for the instruments classified within Level 2 and Level 3 of the fair value hierarchy. The key inputs to these models require a considerable degree of judgement by management in establishing fair values and include the determination of price to book multiples from comparable companies, identification of recent sales transactions, calculated Net Asset Value (NAV) and fair value from third party managers including application of illiquidity discounts in certain cases.

Given the size and complexity of the valuation of investment securities and the importance of the disclosures relating to the assumptions used in the valuation, we addressed this as a key audit matter.

Our audit procedures included, among others, the following:

- For valuations which used significant both observable and unobservable inputs, we have tested the source data used in the valuations, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance, completeness and accuracy.

- We have evaluated the appropriateness of the models used to what we considered to be available alternative valuation methods. We have also evaluated the reasonableness of the significant judgments and assumptions applied to the valuation models, including appropriateness of the comparable listed companies' selection, the pricing multiples and discounts for lack of marketability.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Impairment assessment of investment in associates (continued)

- We assessed the adequacy and the appropriateness of the Group's disclosures concerning fair value measurement of investment securities and the sensitivity to changes in unobservable inputs in Note 18 to the consolidated financial statements.

Other information in the Group's 2019 Annual Report

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted for use by 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 is 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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.

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

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

- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF COAST INVESTMENT & DEVELOPMENT COMPANY K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

We further report that, during the course of our review, to the best of our knowledge and belief, 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 banking business, and its related regulations and Law No.7 of 2010 concerning 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 of the Parent Company or on its financial position.

BADER A. AL-ABDUL JADER
LICENCE NO. 207 A
EY
AL AIBAN AL Osaimi & Partner

8 April 2020
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
INCOME			
Net investment income	4	**1,486,060**	938,760
Management fees		**541,047**	409,512
Other income		**2,658**	34,289
Share of results of associates	7	**28,636**	1,387,077
Net foreign exchange differences		**(85,147)**	(118,266)
		1,973,254	2,651,372
EXPENSES			
Staff costs		**(864,099)**	(928,158)
General and administrative expenses		**(482,167)**	(229,004)
Depreciation expense	6	**(17,257)**	(11,375)
		(1,363,523)	(1,168,537)
PROFIT FOR THE YEAR BEFORE TAX		**609,731**	1,482,835
National Labour Support Tax (NLST)		**(16,599)**	(36,502)
Zakat		**(6,639)**	(10,874)
PROFIT FOR THE YEAR		**586,493**	1,435,459
Attributable to:			
Equity holders of the Parent Company		**586,493**	1,435,459
Non-controlling interests		**-**	-
		586,493	1,435,459
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT COMPANY	5	**1.00 fils**	2.46 fils

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 KD	2018 KD
PROFIT FOR THE YEAR		**586,493**	1,435,459
Other comprehensive income (loss)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(418,477)**	(707,347)
Share of other comprehensive income of associates	7	**175,740**	77,412
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(242,737)**	(629,935)
Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:			
Net (loss) gain on equity instruments designated at fair value through other comprehensive income		**(584,885)**	32,058
Share of other comprehensive loss of associates	7	**(669,035)**	(234,931)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		**(1,253,920)**	(202,873)
Other comprehensive loss for the year		**(1,496,657)**	(832,808)
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(910,164)**	602,651
Attributable to:			
Equity holders of the Parent Company		**(909,961)**	601,810
Non-controlling interests		**(203)**	841
		(910,164)	602,651

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
ASSETS			
Non-current assets			
Property and equipment	6	**1,091,140**	1,088,617
Investment property		**151,525**	151,650
Investment in associates	7	**36,392,709**	37,769,857
Financial assets at fair value through profit or loss	8	**11,340,929**	11,405,699
Financial assets at fair value through other comprehensive income	8	**545,754**	1,130,639
Other assets	9	**2,036,710**	2,180,251
		51,558,767	53,726,713
Current assets			
Financial assets at fair value through profit or loss	8	**-**	31,142
Other assets	9	**479,315**	578,333
Cash and cash equivalents	10	**4,526,617**	3,268,369
		5,005,932	3,877,844
TOTAL ASSETS		**56,564,699**	57,604,557
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**62,529,315**	62,529,315
Statutory reserve	11	**11,647,495**	11,647,495
Voluntary reserve	11	**1,991,146**	1,991,146
Treasury shares	11	**(4,775,819)**	(4,775,819)
Treasury shares reserve		**25,702**	25,702
Other reserve		**(597,953)**	71,082
Foreign currency translation reserve		**1,434,313**	1,676,847
Fair value reserve		**(2,439,501)**	(1,854,616)
Accumulated losses		**(14,723,915)**	(15,310,408)
Equity attributable to equity holders of the Parent Company		**55,090,783**	56,000,744
Non-controlling interests		**32,343**	32,546
Total equity		**55,123,126**	56,033,290
Liabilities			
Non-current liabilities			
Employees' end of service benefits	12	**292,672**	238,455
Current liabilities			
Other liabilities	13	**1,148,901**	1,332,812
Total liabilities		**1,441,573**	1,571,267
TOTAL EQUITY AND LIABILITIES		**56,564,699**	57,604,557

Osama A. Al Ayoub
Chairman

Thamer Nabeel Al Nesef
Chief Executive Officer

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to equity holders of the Parent Company											
	Share capital	***Statutory reserve***	***Voluntary reserve***	***Treasury shares***	***Treasury shares reserve***	***Other reserve***	***Foreign currency translation reserve***	***Fair value reserve***	***Accumulated losses***	***Sub-total***	***Non-controlling interests***	***Total***
	KD	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**	**KD**
As at 1 January 2019	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	71,082	1,676,847	(1,854,616)	(15,310,408)	56,000,744	32,546	56,033,290
Profit for the year	-	-	-	-	-	-	-	-	586,493	586,493	-	586,493
Other comprehensive loss for the year	-	-	-	-	-	(669,035)	(242,534)	(584,885)	-	(1,496,454)	(203)	(1,496,657)
Total comprehensive (loss) income for the year	-	-	-	-	-	**(669,035)**	**(242,534)**	**(584,885)**	**586,493**	**(909,961)**	**(203)**	(910,164)
At 31 December 2019	**62,529,315**	**11,647,495**	**1,991,146**	**(4,775,819)**	**25,702**	**(597,953)**	**1,434,313**	**(2,439,501)**	**(14,723,915)**	**55,090,783**	**32,343**	**55,123,126**
As at 1 January 2018 as previously reported (audited)	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	306,013	2,307,623	247,064	(16,677,931)	57,600,608	31,705	57,632,313
Impact of adopting IFRS 9	-	-	-	-	-	-	-	(2,133,738)	(67,936)	(2,201,674)	-	(2,201,674)
Restated opening balance under IFRS 9	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	306,013	2,307,623	(1,886,674)	(16,745,867)	55,398,934	31,705	55,430,639
Profit for the year	-	-	-	-	-	-	-	-	1,435,459	1,435,459	-	1,435,459
Other comprehensive (loss) income for the year	-	-	-	-	-	(234,931)	(630,776)	32,058	-	(833,649)	841	(832,808)
Total comprehensive (loss) income for the year	-	-	-	-	-	(234,931)	(630,776)	32,058	1,435,459	601,810	841	602,651
At 31 December 2018	62,529,315	11,647,495	1,991,146	(4,775,819)	25,702	71,082	1,676,847	(1,854,616)	(15,310,408)	56,000,744	32,546	56,033,290

The attached notes 1 to 21 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	**2019** **KD**	*2018* *KD*
OPERATING ACTIVITIES			
Profit before tax		**609,731**	1,482,835
Adjustments to reconcile profit before tax to net cash flows:			
Share of results of associates	7	**(28,636)**	(1,387,077)
Unrealised (gain) loss on financial assets at fair value through profit or loss	4	**(1,181,928)**	72,738
Interest income	4	**(154,534)**	(128,700)
Dividend income	4	**-**	(116,538)
Depreciation expense	6	**17,257**	11,375
Employees' end of service benefits	12	**62,030**	87,183
		(676,080)	21,816
Changes in operating assets and liabilities:			
Financial assets at fair value through profit or loss		**1,277,840**	(2,882,351)
Other assets		**179,956**	928,707
Other liabilities		**255,876**	(38,739)
Cash flows from (used in) operations		**1,037,592**	(1,970,567)
Employees' end of service benefits paid	12	**(7,813)**	(107,523)
Taxes paid		**(463,025)**	(289,892)
Net cash flows from (used in) operating activities		**566,754**	(2,367,982)
INVESTING ACTIVITIES			
Purchase of equipment	6	**(20,200)**	(18,673)
Disposal of equipment	6	**420**	-
Purchase of additional shares in an associate	7	**(13,273)**	-
Proceeds on capital redemption in an associate	7	**-**	1,005,878
Dividends received from an associate	7	**507,444**	-
Interest income received		**217,137**	128,700
Dividend income received		**-**	116,538
Net cash from investing activities		**691,528**	1,232,443
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,258,282**	(1,135,539)
Net foreign exchange differences		**(34)**	(649)
Cash and cash equivalents at 1 January	10	**3,268,369**	4,404,557
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	**4,526,617**	3,268,369

The attached notes 1 to 21 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2019

1 CORPORATE INFORMATION
The consolidated financial statements of the Coast Investment & Development Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 8th April 2020, and the shareholders have the power to amend these consolidated financial statements at the annual general assembly meeting ("AGM").

The Parent Company is a public shareholding company incorporated on 29 July 1975. The Parent Company is engaged in various types of investment management activities such as private equity, asset management and real estate investments in local and international markets. The Parent Company is regulated by the Central Bank of Kuwait ("CBK") as an investment and finance company and is subject to the supervision of Capital Markets Authority ("CMA").

The Parent Company's registered office is at P.O. Box 26755, Safat 13128, State of Kuwait.

The activities are carried out in accordance with the Parent Company's Articles of Association. The principal activities of the Parent Company are, as follows:

- To carry out all operations relating to securities, including sale and purchase of shares and bonds of companies, governmental and semi-governmental corporations, for its own account or for the account of others.
- Management of financial portfolios and investment and development of its customers' funds by deployment of their funds in investment fields locally and internationally.
- To carry out all financial transactions including borrowing and lending, guarantees and issuing bonds of all types with or without security in the local and international markets.
- To establish and manage investment funds for its own account and for the account of others, offering its units for subscription and undertaking the functions of the investment custodian or investment manager for investment funds inside and outside the country in accordance with the laws and resolutions applicable in the state.

To carry out the duties related to the functions of lead managers and investment custodians of bonds issued by companies or authorities.

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
New and amended standards and interpretations

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

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

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)
New and amended standards and interpretations (continued)

a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the consolidated statement of financial position.

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

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

a) Nature of the effect of adoption of IFRS 16

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

b) Summary of new accounting policies

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

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

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

▸

Short-term leases and leases of low-value assets

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

▸

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

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

Adoption of IFRS 16 did not result in any material impact on the Group's financial position and results for the year ended 31 December 2019.

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

Amendments to IFRS 3: Definition of a Business

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

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

Amendments to IAS 1 and IAS 8: Definition of Material

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

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Basis of consolidation

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

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

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

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

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements

The Group's voting rights and potential voting rights

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

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

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

Name of the company	Country of incorporation	Effective equity interest		Principal activities
		2019	2018	
Directly held				
Coast Investments Limited ("CIL")	BVI	**100%**	100%	Investment services
Coast Holding Corporation ("CHC")	USA	**100%**	100%	Investment services
Held through CHC				
Winters Estate LLC ("Winters")	USA	**80%**	80%	Real estate services

2.4.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the capital. For each business combination, the acquirer measures the non-controlling interest in the capital either at fair value or at the proportionate share of the capital identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.2 Business combinations and goodwill (continued)

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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

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

2.4.3 Investment in associates

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

The Group's investment in its associates is accounted for under the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor separately tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Distributions received from an associate reduce the carrying

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4.3 Investment in associates (continued)

value of the investment. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

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

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

2.4.4 Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.4.5 Term deposits
Term deposits represent deposits with banks due within three months or more from the placement date and earn interest.

2.4.6 Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
i) Financial assets (continued)

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

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

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

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

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

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

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

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

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

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2019

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4.6 Financial instruments – initial recognition and subsequent measurement (continued)
Derecognition(continued)

primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

ii) Financial liabilities
Initial recognition and measurement
The Group's financial liabilities include other liabilities and bank overdrafts.

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

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (including loans and borrowings)

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

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

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

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
Derecognition (continued)

the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

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

2.4.7 Impairment of financial assets

Financial instruments and contract assets

The Group recognises an allowance for expected credit losses (ECLs) on financial assets measured at amortised cost.

Equity investments are not subject to ECLs.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Impairment of financial assets other than credit facilities

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

The Group applies a three-stage approach to measure the expected credit loss as follows:

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

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

2.4.10Property and equipment
Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Depreciation is calculated using the straight–line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Freehold land is not depreciated.

The estimated useful lives are, as follows:

▸ Buildings	20 years
▸ Office equipment	3-5 years

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4.10 Property and equipment (continued)

of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
Depreciation of these assets commences when the assets are ready for their intended use.

2.4.11 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.
In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

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

Intangible assets with indefinite useful lives are tested for impairment annually as at the reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.4.12 Employee Benifits

The Group provides end of service benefits to all 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. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date.

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

2.4.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4.13 Provisions (continued)

event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss, net of any reimbursement.

2.4.14 Treasury shares
Treasury shares consist of the Parent Company's own issued shares that have been reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under this method, the weighted average cost of the shares reacquired is charged to a contra account in equity. When the treasury shares are reissued, gains are credited to a separate account in equity, the treasury shares reserve, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to the voluntary reserve and statutory reserve. Gains realised subsequently on the sale of treasury shares are first used to offset any provisional recorded losses in order of reserves, retained earnings and treasury share reserve account. No cash dividends are paid on these shares. The issue of stock dividend shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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

2.4.16 Taxes
Kuwait Foundation for the Advancement of Sciences ('KFAS')
The Parent Company calculates the contribution to KFAS at 1% in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that the certain 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.

National Labour Support Tax ('NLST')
The Parent Company calculates the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

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

2.4.17 Revenue recognition
The following specific recognition criteria must also be met before revenue is recognised:

Fee and commission income
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income, asset management fees, and other management and advisory fees.

Finance income
Finance income is presented separately from revenue from contracts with customers in the statement of profit or

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4.17 Revenue recognition (continued)

Finance income (continued)

loss and is recognised at it accrues using the effective interest rate method.

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

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

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

2.4.18 Interest income and expense

Interest income and expense are recognised in the statement of profit or loss for all interest-bearing financial instruments using the effective interest method.

2.4.19 Foreign currency translation

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

Transactions and balances

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

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

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

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

Group companies

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

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

2.4.20 Fiduciary assets

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

2.4.21 Contingencies

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

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

economic benefits is remote.

2.4.22 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Parent Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

2.4.23 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognises in the Group's consolidated financial statements. The Group will adjust the amounts recognised in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its consolidated financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

3 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1 Significant judgments

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

Classification of financial assets

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

3.2 Estimates and assumptions

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

Impairment of associates

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the

3 SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)
3.2 Estimates and assumptions (continued)

expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Impairment of financial assets at amortised cost

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

Fair value measurement

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

4 NET INVESTMENT INCOME

	2019	*2018*
	KD	*KD*
Realised gain on financial assets at fair value through profit or loss	**149,598**	766,260
Unrealised gain (loss) on financial assets at fair value through profit or loss	**1,181,928**	(72,738)
Interest income	**154,534**	128,700
Dividend income	**-**	116,538
	1,486,060	938,760

5 EARNINGS PER SHARE ("EPS")

Basic EPS is calculated by dividing the profit for the year attributable to the ordinary equity holders of the Parent Company by the weighted average number of shares outstanding during the year less treasury shares. Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares less weighted average number of treasury shares. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2019	*2018*
Profit for the year attributable to shareholders of the Parent Company (KD)	**586,493**	1,435,459
Weighted average number of shares outstanding*	**584,473,066**	584,473,066
Basic and diluted EPS	**1.00 fils**	2.46 fils

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements which would require the restatement of EPS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at and for the year ended 31 December 2019

6 PROPERTY AND EQUIPMENT

	Land	Building	Office equipment	Total
	KD	KD	KD	KD
Cost:				
At 1 January 2018	1,052,750	561,000	440,094	2,053,844
Additions	-	-	18,673	18,673
At 31 December 2018	1,052,750	561,000	458,767	2,072,517
Additions	-	-	20,200	20,200
Disposals	-	-	(420)	(420)
At 31 December 2019	**1,052,750**	**561,000**	**478,547**	**2,092,297**
Accumulated depreciation:				
At 1 January 2018	-	(561,000)	(411,525)	(972,525)
Depreciation charge for the year	-	-	(11,375)	(11,375)
At 31 December 2018	-	(561,000)	(422,900)	(983,900)
Depreciation charge for the year	-	-	(17,257)	(17,257)
As at 31 December 2019	**-**	**(561,000)**	**(440,157)**	**(1,001,157)**
Net book value:				
At 31 December 2019	**1,052,750**	**-**	**38,390**	**1,091,140**
At 31 December 2018	1,052,750	-	35,867	1,088,617

Fair value disclosure

The Group complies with the real estate valuation procedures set out in Module 11 "Dealing in Securities" of the CMA Executive Bylaws, which requires valuations of local real estate properties classified as fixed assets to be determined by at least two independent, registered and accredited real estate appraisers provided that one of them is a local bank and that the lower value is taken into account. The fair value of the land and building as at 31 December 2019 determined based on valuations carried out by the respective appraisers using the market comparison approach amounted to KD 2,400,651 and KD 149,349 respectively.

Significant increase (decrease) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis.

7 INVESTMENT IN ASSOCIATES

The Group has interests in the following entities classified as associates:

Company	Country of incorporation	Equity interest %		Principal activities	Carrying amounts	
		2019	2018		**2019**	2018
					KD	KD
Rico GmbH	Germany	23.73	23.73	Manufacturing	**2,543,366**	2,507,555
Kuwaiti German Holding Company K.S.C. (Closed) ("KGH")*	Kuwait	23.49	23.41	Investing activities	**16,743,524**	17,186,692
Weinig International AG ("Weinig")	Germany	12.37	12.37	Manufacturing	**17,105,819**	18,075,610
					36,392,709	37,769,857

* During the current year, the Group lost its representation in the board of directors in these equity accounted investees. The management believes that the Group still has the right to exert significant influence through other means, and accordingly continues to apply the equity method in accounting for these investments. KGH has a direct ownership of 52% in Weinig International AG.

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

Reconciliation to carrying amounts	**2019**	2018
	KD	KD
At 1 January	**37,769,857**	38,253,650
Additions	**13,273**	-
Share of results	**28,636**	1,387,077
Share of other comprehensive income that may be reclassified to profit or loss in subsequent periods	**175,740**	77,412
Share of other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(669,035)**	(234,931)
Dividend	**(507,444)**	-
Capital redemption	**-**	(1,005,878)
Foreign exchange adjustments	**(418,318)**	(707,473)
At 31 December	**36,392,709**	37,769,857

The following table illustrates the summarised financial information of the associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and not the Group's share of those amounts:

7 INVESTMENT IN ASSOCIATES (continued)

As at 31 December 2019	**Rico GmbH KD**	**KGH KD**	**Weinig KD**	**Total KD**
Current assets	**9,399,784**	**74,675,092**	**70,749,311**	**154,824,187**
Non-current assets	**4,664,703**	**87,163,654**	**66,288,609**	**158,116,966**
Current liabilities	**(1,429,106)**	**(40,322,003)**	**(39,610,233)**	**(81,361,342)**
Non-current liabilities	**(1,916,903)**	**(58,914,547)**	**(39,958,960)**	**(100,790,410)**
Equity	**10,718,478**	**62,602,196**	**57,468,727**	**130,789,401**
Goodwill	**-**	**2,036,391**	**9,996,075**	**12,032,466**
Group's carrying amount of the investment	**2,543,366**	**16,743,524**	**17,105,819**	**36,392,709**

As at 31 December 2018	Rico GmbH KD	KGH KD	Weinig KD	Total KD
Current assets	6,276,876	80,609,537	78,819,800	165,706,213
Non-current assets	8,444,722	86,792,776	60,895,562	156,133,060
Current liabilities	(2,116,740)	(42,104,804)	(41,313,746)	(85,535,290)
Non-current liabilities	(2,037,294)	(60,585,817)	(34,795,378)	(97,418,489)
Equity	10,567,564	64,711,692	63,606,238	138,885,494
Goodwill	-	2,036,391	10,206,564	12,242,955
Group's carrying amount of the investment	2,507,555	17,186,692	18,075,610	37,769,857

7 INVESTMENT IN ASSOCIATES (continued)

	Rico GmbH	**KGH**	**Weinig**	**Total**
	KD	**KD**	**KD**	**KD**
For the year ended 31 December 2019				
Revenue	**13,097,524**	**159,970,942**	**158,612,894**	**331,681,360**
Profit (loss)	**503,579**	**(2,466,535)**	**2,152,798**	**189,842**
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	**-**	**(4,116,027)**	**211,813**	**(3,904,214)**
Other comprehensive loss that will not be reclassified to profit or loss in the subsequent periods	**-**	**(2,436,648)**	**(2,436,648)**	**(4,873,296)**
Total comprehensive income (loss)	**503,579**	**(9,019,210)**	**(72,037)**	**(8,587,668)**
Group's share of profit (loss) for the year	**120,818**	**(358,708)**	**266,526**	**28,636**
For the year ended 31 December 2018				
Revenue	13,860,775	164,767,591	163,427,998	342,056,364
Profit	742,219	2,728,462	7,479,420	10,950,101
Other comprehensive (loss) income that may be reclassified to profit or loss in subsequent periods	-	(3,235,348)	214,406	(3,020,942)
Other comprehensive income that will not be reclassified to profit or loss in the subsequent periods	-	289,656	289,656	579,312
Total comprehensive income (loss)	742,219	(217,230)	7,983,482	8,508,471
Group's share of profit for the year	176,120	259,261	951,696	1,387,077

7 INVESTMENT IN ASSOCIATES (continued)

Impairment assessment of Weinig
Management considered the performance outlook and business operations of the CGU to determine whether the carrying amount does not exceed the recoverable amount.

The recoverable amount was estimated based on the present value of the future cash flows expected to be derived from the CGU (value-in-use). The value in use calculation is determined based on reasonable and supportable assumptions concerning projections approved by management (as part of the budget).

These cash flows cover a five-year period using an average annual revenue growth rate of 6.59% over the forecast period based on past performance and management's expectations of market development. The discount rate applied to cash flow projections is 7.12% and cash flows beyond the five-year budget period are extrapolated using a 1.50% long-term growth rate.

As a result of the analysis, the recoverable amount of the entire CGU based on the value-in-use as at 31 December 2019 was estimated to be KD 28,438,423, hence exceeding the carrying value by KD 11,332,604. Accordingly, management did not identify an impairment loss during the year ended 31 December 2019.

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

- Annual revenue growth rate during the forecast period
- Discount rate
- Long-term growth rates (terminal value) used to extrapolate cash flows beyond the forecast period

Sensitivity to changes in assumptions
Increase (decrease) in key assumptions would result in higher (lower) recoverable amounts of the CGU. Changes in key assumptions may be correlated. Management believes that it is unlikely that changes in key assumptions would cause the carrying value of the CGU to exceed its recoverable amount.

8 INVESTMENT SECURITIES

	2019	*2018*
	KD	*KD*
Non-current		
Mutual funds at FVTPL	**7,721,747**	6,342,995
Private equity funds at FVTPL	**3,610,937**	3,726,127
Unquoted equity securities at FVTPL	**8,245**	1,336,577
	11,340,929	11,405,699
Unquoted equity securities at FVOCI	**545,754**	1,130,639
Current		
Quoted equity securities at FVTPL	-	31,142

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 18.

9 OTHER ASSETS

	2019 KD	2018 KD
Non-current		
Promissory notes (Note 14)	**1,634,598**	1,777,807
Other receivables	**402,112**	402,444
	2,036,710	2,180,251
Current		
Advances and prepayments	**14,424**	13,110
Accrued income	**308,563**	261,321
Other receivables	**156,328**	303,902
	479,315	578,333
	2,516,025	2,758,584

Accrued income consists of management fees KD 95,112 (2018: KD 82,248) which is fully collateralised by the underlying assets of the fund which the Group manages.

10 CASH AND CASH EQUIVALENTS

	2019 KD	2018 KD
Short-term deposits	**3,837,063**	1,612,477
Cash at banks and on hand	**689,554**	1,655,892
	4,526,617	3,268,369

Short-term deposits are made for varying periods between one and three months, depending on the immediate cash requirements of the Group, and earn interest at an average rate of 2.75% per annum (2018: 2.03% per annum).

11 SHARE CAPITAL AND RESERVES

a) Share capital
The authorised, issued and paid-up capital of the Parent Company is KD 62,529,315 (2018: KD 62,529,315) that consists of 625,293,152 shares (2018: 625,293,152 shares) of 100 fils per share, which are fully paid in cash.

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

No transfer has been made to the statutory reserve as a result of accumulated losses incurred by the Parent Company.

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

No transfer has been made to the voluntary reserve as a result of accumulated losses incurred by the Parent Company.

d) Treasury shares

	2019	*2018*
Number of treasury shares	**40,820,086**	40,820,086
Percentage of total outstanding shares (%)	**6.53%**	6.53%
Market value (KD)	**1,632,803**	1,338,898
Cost (KD)	**4,755,819**	4,755,819
Weighted average market value per share (fils)	**35**	31

Reserves equivalent to the cost of purchase of the treasury shares held are not available for distribution during the holding period of such shares as per CMA guidelines.

e) Distributions made and proposed
The Board of Directors proposed not to distribute cash dividends or bonus shares for the year ended 31 December 2019 (2018: Nil). This proposal is subject to approval of the Parent Company's shareholders in the AGM.

12 EMPLOYEES' END OF SERVICE BENEFITS

Set out below is the movement in the provision for employees' end of service benefits:

	2019	*2018*
	KD	*KD*
As at 1 January	**238,455**	258,795
Charge for the year	**62,030**	87,183
Payments	**(7,813)**	(107,523)
As at 31 December	**292,672**	238,455

13 OTHER LIABILITIES

	2019	*2018*
	KD	*KD*
Dividends payable	**202,492**	202,609
Taxes payable	**783,889**	992,421
Other liabilities	**162,520**	137,782
	1,148,901	1,332,812

14 RELATED PARTY DISCLOSURES

These represent transactions with related parties, i.e. major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. All related party transactions are carried out on terms approved by the Parent Company's management.

The following table shows the aggregate value of transactions and outstanding balances with related parties:

	Associates	Others	***2019***	*2018*
	KD	KD	***KD***	*KD*
Consolidated statement of financial position				
Promissory notes	1,634,598	-	**1,634,598**	1,777,807
Accrued management fees	-	126,463	**126,463**	100,454
Investment in managed fund	-	7,721,747	**7,721,747**	6,342,995

14 RELATED PARTY DISCLOSURES (continued)

Promissory notes represent a financing arrangement to an associate for the purpose of financing its operations and earn interest at 1.15% (2018: 1.18%) above 3-months EURIBOR, per annum.

Terms and conditions of transactions with related parties
The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances are due for settlement at any given time to the holder against the presentation of the promissory note. There have been no guarantees provided or received for any related party receivables or payables. During the period ended 31 December 2019, the Group has recorded KD Nil as allowance for expected credit losses relating to amounts owed by related parties since it is considered low risk of default. This assessment is undertaken at each financial reporting period through examining the financial position of the related party and the market in which the related party operates.

	Associates	*Others*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*
Consolidated statement of profit or loss				
Management fees (income)	-	494,402	**494,402**	365,933
Interest income	19,550	-	**19,550**	25,835
Net investment income from managed fund	-	1,378,752	**1,378,752**	394,266

Transactions with key management personnel
Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Group and its employees.

The aggregate value of transactions and outstanding balances related to key management personnel were, as follows:

	Transactions values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2019	*2018*	***2019***	2018
	KD	*KD*	***KD***	KD
Key management personnel compensation				
Salaries and other short-term benefits	**255,094**	253,164	**59,865**	40,773
End of service benefits	**18,200**	18,894	**57,993**	39,792
	273,294	272,058	**117,858**	80,565

15 FIDUCIARY ASSETS

The Group manages a number of investments and an open-ended fund in a fiduciary capacity. As at 31 December 2019, funds under management amounted to KD 29,290,500 (2018: KD 20,906,640).

These funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. Accordingly, the assets of these funds are not included in the consolidated financial statements.

Income earned from fiduciary assets amounted to KD 540,984 (2018: KD 409,512).

16 COMMITMENTS

At the reporting date, the Group had commitments of KD 200,607 (2018: KD 299,481) in respect of uncalled capital in certain private equity funds classified as financial assets at fair value through profit or loss.

17 SEGMENT INFORMATION

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

The Group is primarily engaged in investment activities, the following tables present information regarding the Group's geographical segments:

	31 December 2019			
	Kuwait and GCC	*Europe*	*USA*	*Total*
	KD	*KD*	*KD*	*KD*
Total revenue	**1,282,745**	**477,376**	**213,133**	**1,973,254**
Depreciation	**(17,257)**	**-**	**-**	**(17,257)**
Share of results of associates	**(358,708)**	**387,344**	**-**	**28,636**
Profit (loss) for the year	**(102,658)**	**477,376**	**211,775**	**586,493**
Total assets	**31,497,235**	**24,493,555**	**573,909**	**56,564,699**
Total liabilities	**1,438,083**	**-**	**3,490**	**1,441,573**
Other disclosures				
Investment in associates	**16,743,524**	**19,649,185**	**-**	**36,392,709**

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17 SEGMENT INFORMATION (continued)

	31 December 2018			
	Kuwait and GCC *KD*	*Europe* *KD*	*USA* *KD*	*Total* *KD*
Total revenue	1,017,954	1,183,916	449,502	2,651,372
Depreciation	(11,375)	-	-	(11,375)
Share of results of associates	259,261	1,127,816	-	1,387,077
Profit (loss) for the year	(195,623)	1,183,916	447,166	1,435,459
Total assets	31,327,865	25,726,587	550,105	57,604,557
Total liabilities	1,566,393	1,380	3,494	1,571,267
Other disclosures				
Investment in associates	17,186,692	20,583,165	-	37,769,857

18 FAIR VALUE MEASUREMENT

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

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

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.
All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

18 FAIR VALUE MEASUREMENT (continued)

- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

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

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

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

- Cash and cash equivalents
- Other assets
- Other liabilities

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

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

Unlisted equity investments
The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for these positions. The Group determines comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate trading multiple for each comparable company identified. The multiple is calculated by dividing the market value of the comparable company by its book value. The market value of a company is its share price multiplied by the number of outstanding shares. The book value is the net assets of a company. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. If management determines that market-based valuation techniques are deemed unreflective and a significant underlying value of the investee is within its assets, management alternatively uses adjusted net assets value ("NAV"). The discounted multiple is applied to the corresponding capital measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Unlisted mutual funds
The Group invests in managed funds, including private equity funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods. The management considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate. Therefore, the NAV of these investee funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments,

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18 FAIR VALUE MEASUREMENT (continued)
Unlisted mutual funds (continued)

and other specific factors of the investee fund and fund manager. In measuring fair value, consideration is also paid to any transactions in the shares of the investee fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the investee fund, the Group classifies these funds as either Level 2 or Level 3.

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

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

		Fair value measurement using		
		Quoted prices in active markets	***Significant observable inputs***	***Significant unobservable inputs***
	Total	***(Level 1)***	***(Level 2)***	***(Level 3)***
31 December 2019	***KD***	***KD***	***KD***	***KD***
Financial assets at FVTPL:				
Open-ended fund	**7,721,747**	**-**	**7,721,747**	**-**
Private equity funds	**3,610,937**	**-**	**-**	**3,610,937**
Unquoted equity securities	**8,245**	**-**	**-**	**8,245**
	11,340,929	**-**	**7,721,747**	**3,619,182**
Financial assets at FVOCI:				
Unquoted equity securities	**545,754**	**-**	**-**	**545,754**
Investment securities (at fair value)	**11,886,683**	**-**	**7,721,747**	**4,164,936**

18 FAIR VALUE MEASUREMENT (continued)

18.1 Financial instruments (continued)

		Fair value measurement using		
		Quoted prices in active markets	*Significant observable inputs*	*Significant unobservable inputs*
	Total	*(Level 1)*	*(Level 2)*	*(Level 3)*
31 December 2018	*KD*	*KD*	*KD*	*KD*
Financial assets at FVTPL:				
Open-ended fund	6,342,995	-	6,342,995	-
Private equity funds	3,726,127	-	-	3,726,127
Unquoted equity securities	1,336,577	-	-	1,336,577
Quoted equity securities	31,142	31,142	-	-
	11,436,841	31,142	6,342,995	5,062,704
Financial assets at FVOCI:				
Unquoted equity securities	1,130,639	-	-	1,130,639
Investment securities (at fair value)	12,567,480	31,142	6,342,995	6,193,343

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

2019	***Financial assets at FVOCI***	***Financial assets at FVTPL***	***Total***
	KD	***KD***	***KD***
As at 1 January 2019	**1,130,639**	**5,062,704**	**6,193,343**
Re-measurement recognised in OCI	**(584,885)**	**-**	**(584,885)**
Re-measurement recognised in profit or loss	**-**	**(450,723)**	**(450,723)**
Purchases / sales (net)	**-**	**(992,799)**	**(992,799)**
As at 31 December 2019	**545,754**	**3,619,182**	**4,164,936**

18 FAIR VALUE MEASUREMENT (continued)

18.1 Financial instruments (continued)

2018	*Financial assets at FVOCI*	*Financial assets at FVTPL*	*Total*
	KD	*KD*	*KD*
As at 1 January 2018	1,098,581	4,765,157	5,863,738
Re-measurement recognised in OCI	32,058	-	32,058
Re-measurement recognised in profit or loss	-	(72,738)	(72,738)
Purchases / sales (net)	-	370,285	370,285
As at 31 December 2018	1,130,639	5,062,704	6,193,343

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

Significant unobservable valuation inputs	**Range**	**Sensitivity of the input to fair value**
Discount for lack of marketability (DLOM)	20% - 30% (2018: 20% - 30%)	10% (2018: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 77,966 (2018: KD 126,877)

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

18.2 Non-financial assets

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

		Fair value measurement using		
	Total	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
	KD	***KD***	***KD***	***KD***
31 December 2019				
Investment property	**151,525**	**-**	**-**	**151,525**
31 December 2018				
Investment property	151,650	-	-	151,650

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

18 FAIR VALUE MEASUREMENT (continued)

18.2 Non-financial assets (continued)

Reconciliation of Level 3 fair values

Reconciliation for fair value measurement of investment properties categorised within Level 3 of the fair value hierarchy mainly represents remeasurement adjustments during the year.

Description of significant unobservable inputs to valuation:

The significant unobservable inputs used in the fair value measurements categorised within Level 3 of the fair value hierarchy is the price per sqm adjusted to reflect unfavourable market conditions.

Sensitivity analysis

Significant increase (decrease) in the adjusted price per sqm in isolation would result in a significantly higher (lower) fair value of the property.

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial assets include financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, cash and cash equivalents and other assets that derive directly from its operations. The Group's principal financial liabilities comprise of other liabilities which arise from the Group's operations in normal course of the business. The Group also holds investments in equity and debt instruments.

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

19.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily promissory notes issued to associates) and from its financing activities including deposits with banks and financial institutions, and other financial instruments. 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 Group of customers in specific locations or business through diversification of operating activities.

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

	2019	*2018*
	KD	*KD*
Cash and cash equivalents	**4,526,617**	3,268,369
Other receivables (included within other assets)	**867,003**	967,668
Promissory notes (included within other assets)	**1,634,598**	1,777,807
Gross maximum credit exposure	**7,028,218**	6,013,844

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19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
19.1 Credit risk (continued)

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

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Other receivables and promissory notes
The Group does not determine ECLs on other receivables and promissory notes as the Group trades with credit worthy counterparties and accordingly the Group's exposure has a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

19.2 Liquidity risk
Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain adequate level of cash and cash equivalents and other highly marketable investments.

The table below summarises the maturity profile of the Group's financial liabilities and capital commitments based on contractual undiscounted payments.

31 December 2019	*Less than 3 months KD*	*3 to 12months KD*	*>1 year KD*	*Total KD*
Other liabilities	**19,507**	**1,129,394**	**-**	**1,148,901**
Commitments	**50,933**	**94,701**	**54,973**	**200,607**
31 December 2018				
Other liabilities	10,868	1,321,944	-	1,332,812
Commitments	72,807	170,543	56,131	299,481

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)
19.2 Liquidity risk (continued)

As at the reporting date, all financial liabilities of the Group shown in the consolidated statement of financial position are non-derivative and have a maturity of twelve months or less.

19.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk such as equity price risk. Financial instruments affected by market risk include equity securities.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short-term changes in fair value.

19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the underlying financial instruments. The Group's exposure to the risk of changes in market interest rates is limited, as most of its interest-bearing assets and liabilities yield interest at commercial rates and reprice in the short term, no longer than twelve months.

19.3.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries. The Group operates in the Kuwait, other Middle Eastern countries, Europe and the Unites States and is exposed to foreign currency risk arising from various foreign currency exposures, primarily with respect to Euro and US Dollar.

To mitigate the Group's exposure to foreign currency risk, management works on maintaining a balanced exposure of assets and liabilities by currency to minimise fluctuations in accordance with the Group's risks management policies.

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

The Group has no material exposure to foreign currency exchange on monetary financial liabilities. The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets at the reporting date:

	Liabilities		Assets	
	2019	*2018*	***2019***	*2018*
Currency	***KD***	*KD*	***KD***	*KD*
Euro	**1,351**	1,380	**4,679,575**	5,939,332
US Dollar (USD)	**3,490**	3,494	**1,756,919**	1,499,782

Further, the Group's exposure to foreign currency changes for all other currencies is not material to the consolidated financial statements.

Foreign exchange rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Euro and USD exchange rates

19 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign exchange rate sensitivity (continued)

against the KD, with all other variables held constant. The impact on the Group's profit is due to changes in monetary assets and liabilities.

Currency	*Change in exchange rate*	***2019 Effect on profit or loss KD***	*2018 Effect on profit or loss KD*
Euro	+5 %	233,979	296,967
USD	+5 %	83,656	72,489

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis. An equivalent decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

19.3.3 Equity price risk

The Group's exposure to equity securities price risk arises from investments held by the Group and classified as at FVOCI or FVTPL (Note 8). The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis.

At the reporting date, the exposure to unlisted equity investments at fair value was KD 553,999. Sensitivity analyses of these investments have been provided in Note 18. In addition, the Group has determined that an increase/(decrease) of 10% in their fair values could have an impact of approximately KD 55,400 increase/(decrease) on the income and equity attributable to the Group.

At the reporting date, the Group holds units in an unlisted open-ended fund which only invests in quoted securities. The exposure to this fund was KD 7,721,747. Given that the changes in fair values of the units held in the fund are strongly positively correlated with changes of the Kuwait Stock Exchange ("KSE") market index, the Group has determined that an increase/(decrease) of 10% on the KSE index could have an impact of approximately KD 817,391 increase/(decrease) on the income and equity attributable to the Group. In addition, the Group has investments in private equity funds and determined that an increase/(decrease) of 10% in their fair values could have an impact of approximately KD 361,094 increase/(decrease) on the income and equity attributable to the Group.

19.4 Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit and practical application of technology.

The recent and rapid development of the coronavirus outbreak across the world have required entities to limit or suspend business operations, implement travel restrictions and quarantine measures that have significantly disrupted (or are expected to disrupt) its activities. In an attempt to manage such events, the Group implements its contingency plans which include preventive safety measures, compliance with legal and regulatory guidelines and instructions, and maximise the use of technology and resources management to meet the day-to-day operational requirements that are required for continuity of the business.

20 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value in addition to compliance with the requirements of the Capital Markets Authority, of maintaining share capital of KD 10,000,000 since the Company is listed on the Boursa Kuwait.

The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may review the dividend payment to shareholders, return capital to shareholders, issue new shares, transact with treasury shares, or sell assets to reduce debt.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018. Capital comprises of share capital and other equity reserves attributable to equity holders of the Parent Company and is stated at KD 55,090,783 as at 31 December 2019 (2018: KD 56,000,744).

21 SUBSEQUENT EVENT

As at the authorisation date of these consolidated financial statements, certain of the Group’s investment securities reduced in the range of 19% to 21% from the reporting date, mainly due to deterioration in financial markets as a result of the current outbreak of the coronavirus (COVID-19). Given that changes in fair values of such securities are strongly positively correlated with changes of the stock market indices, management’s best estimate of the effect on profit or loss, with all other variables held constant, is approximately in the range of KD 1.2 million to KD 1.5 million.

The rapid deterioration in economic markets and the increase in uncertainty in the macroeconomic and business outlook have resulted in significant drop in demand for goods and services, supply chain disruptions accompanied by fluctuations in foreign exchange rates and commodity prices. Subsequent to the reporting date, one of the Group’s associates has encountered operational challenges due to the aforementioned event (i.e. partial shut-downs in plants due to the mandatory governmental quarantine requirements). This event has an impact on the cash flows and financial condition of the associate. As a result, a triggering event has occurred subsequent to the reporting date and therefore that an impairment test is required, in particular for investment in associates.

The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group’s financial performance, cash flows and financial position. Given the ongoing economic uncertainty, a reliable estimate of the full impact cannot be made at the date of authorisation of these consolidated financial statements.