Wafra International Investment Company K.S.C. (Closed)

FINANCIAL STATEMENTS

31 DECEMBER 2018

Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED)

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and 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 Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WAFRA INTERNATIONAL INVESTMENT COMPANY K.S.C. (CLOSED) (continued)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Company and the financial statements, together with the contents of the report of the Company's Board of Directors relating to these financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amend, and its executive regulations, as amended, and by the 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 Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Company or on its financial position.

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

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

19 February 2018
Kuwait

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Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	*2018* **KD**	*2017* KD
INCOME			
Management fees		**8,084,763**	6,714,912
Interest income		**478,394**	360,022
Unrealised loss from financial assets at fair value through profit or loss		**(141,542)**	-
Realised (loss) gain on sale of financial assets at fair value through profit or loss		**(65,301)**	71,610
Realised gain on sale of available-for-sale financial assets		**-**	2,310,919
Interest income on forward deal contract receivables		**-**	19,916
Share of results of an associate	8	**(98,852)**	(210,516)
Impairment loss on available-for-sale financial assets		**-**	(171,959)
Provision for expected credit losses		**(10,239)**	-
Dividend income		**1,134,041**	1,093,214
		9,381,264	10,188,118
EXPENSES			
General and administrative expenses	4	**(2,841,175)**	(2,445,250)
PROFIT BEFORE TAX AND DIRECTORS' REMUNERATION		**6,540,089**	7,742,868
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)		**(65,401)**	(78,559)
Zakat		**(137,560)**	(77,700)
Directors' remuneration	18	**(85,000)**	(85,000)
PROFIT FOR THE YEAR		**6,252,128**	7,501,609
BASIC AND DILUTED EARNINGS PER SHARE	5	**41.68 fils**	50.01 fils

The attached notes 1 to 22 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 ***KD***	*2017* *KD*
Profit for the year	**6,252,128**	7,501,609
Other comprehensive income:		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
- Net change in fair value of available-for-sale financial assets	-	4,960,180
- Impairment losses on available-for-sale financial assets recycled to profit or loss on impairment losses	-	68,487
- Gain on sale of available-for-sale financial assets	-	(2,310,919)
Net loss on available-for-sale financial assets	-	2,717,748
Share of other comprehensive income of an associate	-	157,534
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	-	2,875,282
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Net loss on equity instruments at fair value through other comprehensive income	**(54,009)**	-
Net other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods	**(54,009)**	2,875,282
Total other comprehensive (loss) income for the year	**(54,009)**	2,875,282
Total comprehensive income for the year	**6,198,119**	10,376,891

The attached notes 1 to 22 form part of these financial statements.

Wafra International Investment Company K.S.C. (Closed)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 KD	2017 KD
ASSETS			
Cash and cash equivalents	6	**13,595,833**	16,946,585
Accounts receivable and other assets	7	**2,210,026**	2,648,852
Loans to customers		**386,100**	386,100
Investment in an associate	8	**1,940,853**	2,039,705
Financial assets at fair value through profit or loss	9	**29,733,751**	-
Financial assets at fair value through other comprehensive income	9	**21,641,001**	-
Available for sale financial assets	9	-	43,552,451
Other financial assets at amortised cost	10	**4,485,261**	4,700,000
Intangible assets		**7,150**	7,325
Property and equipment	11	**375,178**	469,192
TOTAL ASSETS		**74,375,153**	70,750,210
LIABILITIES AND EQUITY			
Liabilities			
Accounts payable and other accruals	12	**1,362,426**	1,328,513
Employees' end of service benefits		**1,429,483**	1,238,432
Total liabilities		**2,791,909**	2,566,945
Equity			
Share capital	13	**15,000,000**	15,000,000
Statutory reserve	14	**9,876,899**	9,222,890
Voluntary reserve	15	**9,909,603**	9,255,594
Fair value reserve		**1,736,850**	8,132,995
Retained earnings		**31,309,892**	22,821,786
Proposed dividends	16	**3,750,000**	3,750,000
Total equity		**71,583,244**	68,183,265
TOTAL LIABILITIES AND EQUITY		**74,375,153**	70,750,210

Tariq Khaled Bourisli
Chief Executive Officer

Mohammad Abdullateef Alqassar
Vice Chairman

The attached notes 1 to 22 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Fair value reserve KD*	*Retained earnings KD*	*Proposed dividends KD*	*Total KD*
Balance as at 1 January 2018	15,000,000	9,222,890	9,255,594	8,132,995	22,821,786	3,750,000	68,183,265
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2.2)	-	-	-	(5,301,548)	6,253,408	-	951,860
Balance as at 1 January 2018 (Restated)	15,000,000	9,222,890	9,255,594	2,831,447	29,075,194	3,750,000	69,135,125
Profit for the year	-	-	-	-	6,252,128	-	6,252,128
Other comprehensive loss for the year	-	-	-	(54,009)	-	-	(54,009)
Total comprehensive (loss) income for the year	-	-	-	(54,009)	6,252,128	-	6,198,119
Transfer of gain on disposal of equity investments designated at FVOCI to retained earnings	-	-	-	(1,040,588)	1,040,588	-	-
Dividends paid (Note 16)	-	-	-	-	-	(3,750,000)	(3,750,000)
Transfer to reserves	-	654,009	654,009	-	(1,308,018)	-	-
Proposed dividends (Note 16)	-	-	-	-	(3,750,000)	3,750,000	-
Balance as at 31 December 2018	**15,000,000**	**9,876,899**	**9,909,603**	**1,736,850**	**31,309,892**	3,750,000	**71,583,244**
Balance at 1 January 2017	15,000,000	8,448,604	8,481,308	5,257,713	20,618,749	3,000,000	60,806,374
Profit for the year	-	-	-	-	7,501,609	-	7,501,609
Other comprehensive income for the year	-	-	-	2,875,282	-	-	2,875,282
Total comprehensive income for the year	-	-	-	2,875,282	7,501,609	-	10,376,891
Dividends paid (Note 16)	-	-	-	-	-	(3,000,000)	(3,000,000)
Transfer to reserves	-	774,286	774,286	-	(1,548,572)	-	-
Proposed dividends (Note 16)	-	-	-	-	(3,750,000)	3,750,000	-
Balance as at 31 December 2017	15,000,000	9,222,890	9,255,594	8,132,995	22,821,786	3,750,000	68,183,265

The attached notes 1 to 22 form part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 KD	2017 KD
OPERATING ACTIVITIES			
Profit before tax and directors' remuneration		**6,540,089**	7,742,868
Adjustments to reconcile profit before tax and directors' remuneration to net cash flows:			
Depreciation and amortisation	4	**122,422**	77,161
Provision for employees' end of service benefits		**207,780**	159,953
Interest income		**(478,394)**	(360,022)
Unrealised loss from financial assets at fair value through profit or loss		**141,542**	-
Realised loss (gain) on sale of financial assets at fair value through profit or loss		**65,301**	(71,610)
Realised gain on available-for-sale financial assets		**-**	(2,310,919)
Share of results of an associate	8	**98,852**	210,516
Impairment loss on available-for-sale financial assets		**-**	171,959
Provision for expected credit losses	10	**10,239**	-
Net foreign exchange differences		**87,421**	-
		6,795,252	5,619,906
Working capital adjustments:			
(Increase) / decrease of financial assets at fair value through profit or loss		**(6,831,433)**	711,578
Decrease in accounts receivable and other assets		**438,826**	4,407,227
Decrease in loans to customers		**-**	39,600
Increase/ (decrease) in accounts payable and other accruals		**(254,048)**	135,736
Cash from operations		**148,597**	10,914,047
Employees' end of service benefits paid		**(16,729)**	(1,203)
Interest income received		**478,394**	360,022
Net cash flows from operating activities		**610,262**	11,272,866
INVESTING ACTIVITIES			
Proceeds from sale of financial assets at fair value through other comprehensive income		**7,363,933**	-
Purchase of financial assets at fair value through other comprehensive income		**(7,751,214)**	-
Proceeds from sale of available-for-sale financial assets		**-**	12,814,812
Purchase of available-for-sale financial assets		**-**	(13,421,023)
Proceeds from redemption of other financial assets at amortised cost		**900,000**	-
Purchase of other financial assets at amortised cost		**(695,500)**	(600,000)
Purchase of property and equipment and intangible assets		**(28,233)**	(535,609)
Net cash flows used in investing activities		**(211,014)**	(1,741,820)
FINANCING ACTIVITIES			
Dividends paid	16	**(3,750,000)**	(3,000,000)
Net cash flows used in financing activities		**(3,750,000)**	(3,000,000)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(3,350,752)**	6,531,046
Cash and cash equivalents as at 1 January		**16,946,585**	10,415,539
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6	**13,595,833**	16,946,585

The attached notes 1 to 22 form part of these financial statements.

1 CORPORATE INFORMATION

The financial statements of Wafra International Investment Company K.S.C. (Closed) (the "Company") were authorised for issue by the Board of Directors on 13 February 2019 and the shareholders of the Company have the power to amend these financial statements at the annual general assembly meeting (AGM).

The Company is a closed Kuwaiti shareholding company incorporated and domiciled in Kuwait. The registered address of the Company is Al- Murqab – Abdulla Al-Mubark Street block 1 – Avenue # 800012 – Twin Tower - P.O. Box 27635, Safat 13137, State of Kuwait.

The Company's primary objectives are as follows:

1. Investment in the real estate, industrial, agricultural fields, and other economic industries through contributing to incorporation of specialised entities, or subscription of the shares of these entities.
2. Transactions related to trading securities including, sale or purchase shares and bonds of Governmental companies and institutions that are only for the benefit of the Company.
3. Conducting the function of investment trustees, and investment portfolio management for others.
4. Mediation in lending and borrowing transactions for commission or fees; for the interest of the Company or for others.
5. Financing and brokerage in the international trade transactions.
6. Provision of research, studies, and other technical services related to the investment operations, and employment of the funds of others.
7. Establishment and management of mutual funds in accordance with the related Laws.
8. Conducting the functions of issuance managers for bonds issued by companies and institutions.

The Company is wholly owned by The Public Institution for Social Security (PIFSS) (the "Parent Company"). The Company is regulated by the Central Bank of Kuwait (CBK) and the Capital Markets Authority (CMA) as a finance and investment company, respectively.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The 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 financial statements have been prepared on a historical cost basis, except for equity financial assets that have been measured at fair value.

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

The Company presents its statement of financial position in order of liquidity. An analysis in respect of recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 20.4.

Certain amounts within the statement of financial position have been reclassified and do not have any effect on statement of profit or loss, statement of comprehensive income, statement of financial position or retained earnings. Such reclassification has been made to improve the quality of information presented.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Company applied, for the first time, certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. 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 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 9 - Financial Instruments
IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

a) Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Company's financial assets:

- Accounts receivable classified as 'Loans and receivables' under IAS 39 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as 'Debt instruments at amortised cost' beginning 1 January 2018.
- Equity securities that the Company intends to hold for the long term for strategic purposes have been irrevocably designated at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.
- Equity securities that the Company designated as at FVTPL under IAS 39 because they were managed on a fair value basis and their performance was monitored on this basis have been classified as mandatorily measured at FVTPL under IFRS 9 beginning 1 January 2018.
- Managed funds classified as Available-for-sale (AFS) financial assets as at 31 December 2017 and fail to meet the SPPI criterion have been classified and measured at FVTPL under IFRS 9
- Corporate debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

The IFRS 9 impact of required or elected reclassifications as at 1 January 2018 is disclosed in transitional provisions.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The Company is required to calculate provision for credit losses on loans and advances in accordance with the instructions issued by the CBK. Impairment of loans and advances shall be recognised at the higher of ECL under IFRS 9 per CBK guidelines, and the provision required by the CBK instructions. IFRS 9 requires the Company to recognise an allowance for ECLs for all other debt instruments not held at fair value through profit or loss and contract assets.

The Company's accounting policies for impairment of financial assets is explained in Note 2.4. The quantitative impact of adoption of IFRS 9 as at 1 January 2018 is disclosed in Note 2.2.

c) Hedge accounting

At the date of initial application, the Company had no existing hedging relationships and therefore the new general hedge accounting model in IFRS 9 has no impact on the Company.

IFRS 15 - *Revenue from Contracts with Customers*

The Company adopted IFRS 15 *Revenue from Contracts with Customers* on its effective date of 1 January 2018. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

IFRS 15 did not have a significant impact on the Company's accounting policies as revenue streams mainly comprise of management fees.

Transitional provisions

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2017 under IFRS 9.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the nature of the financial instrument (i.e. debt or equity instrument);
- The designation of certain equity instruments (i.e. FVTPL or FVOCI without recycling);
- The determination of business model within which a debt instrument is held;
- The designation of certain debt instruments as financial assets as measured at amortised costs, FVOCI (with recycling) or FVTPL.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Transitional provisions (continued)
The total impact on the Company's retained earnings and fair reserve as at 1 January 2018 is as follows:

	Retained earnings KD	*Fair value reserve KD*
Closing balance under IAS 39 (31 December 2017)	22,821,786	8,132,995
Impact on reclassification and re-measurements:		
Reclassification of investment securities (debt and equity) from available-for-sale to FVTPL	6,253,408	(6,253,408)
Fair value gain on re-measurement unquoted equity securities at FVOCI	-	951,860
Opening balance under IFRS 9 on date of initial application of 1 January 2018	29,075,194	2,831,447

On adoption of IFRS 9, certain managed funds classified as AFS which do not meet the FVOCI criteria under IFRS 9 where the contractual cash flows of these securities are not solely payments of principal and interest on the principal outstanding have been re-classified to FVTPL.

Classification of financial instruments on the date of initial application of IFRS 9
The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 January 2018, however, the Company has chosen to take advantage of the option not to restate comparatives. Therefore, the 2017 figures are presented and measured under IAS 39. The following table shows reconciliation of original measurement categories and carrying amount in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial instruments as at 1 January 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39 KD*	*Re-measurement KD*	*New carrying amount under IFRS 9 KD*
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	16,946,585	-	16,946,585
Accounts receivable and other assets	Loans and receivables	Amortised cost	2,648,852	-	2,648,852
Loans to customers	Loans and receivables	Amortised cost	386,100	-	386,100
Equity securities	AFS	FVOCI	20,355,869	951,860	21,307,729
Mutual funds	AFS	FVTPL	23,196,582	-	23,196,582
Debt securities	Held-to-maturity	Amortised cost	4,700,000	-	4,700,000
Total financial assets			68,233,988	951,860	69,185,848

There have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

The application of the ECL model under IFRS 9 has not resulted in any changes to the carrying amounts of the Company's amortised cost financial assets at the date of initial application.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 16 - *Leases*
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

2.4 SIGNIFICANT ACCOUNTING POLICIES

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

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

Operating leases – Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)
Zakat
Contribution to Zakat is calculated at 1% of the profit of the Company, in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Earnings per share (EPS)
Basic EPS amounts are calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit for the year (after adjusting for interest on the convertible preference shares) 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.

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

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

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

Financial instruments
In the current period the Company has adopted IFRS 9 *Financial Instruments*. See section 2.2 for an explanation of the impact. Comparative figures for the year ended 31 December 2017 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

a) Recognition and initial measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

b) Classification and subsequent measurement
Financial assets - Policy effective from 1 January 2018 (IFRS 9)
On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

b) Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018 (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

▸ Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
▸ Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
▸ Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses arerecognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
▸ Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial assets – Policy applicable before 1 January 2018

▸ Financial assets at fair value through profit or loss	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
▸ Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
▸ Loans and receivables	Measured at amortised cost using the effective interest method.
▸ Available-for-sale financial assets (AFS)	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

c) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

c) Derecognition (continued)

Financial assets (continued)
The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

d) Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets
Policy applicable from 1 January 2018
The Company previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For bank balances, trade receivables and other receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the balances and the Company's economic environment.

The management considers a financial asset in default when the contractual payments are 365 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

Policy applicable before 1 January 2018
The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrowers or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of income – is removed from OCI and recognised in the statement of income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 to by the Company.

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.

The Company 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: inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2: inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.
Level 3: inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company 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 Company's senior management determines the policies and procedures for recurring fair value measurement, such as unquoted equity investments.

The Company measures financial instruments such as investment in equity securities and mutual funds, at fair value at each reporting date. Fair-value related disclosures for financial instruments that are measured at fair value, including the valuation methods, significant estimates and assumptions are disclosed in Note 21.

Investment in associates

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

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of income 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 Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

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

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

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

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.

The estimated useful lives are as follows:

Furniture and fittings	5 years

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

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

Impairment of non-financial assets
The Company 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 Company estimates the asset's recoverable amount. An asset's or cash-generating unit's (CGU) recoverable amount is the higher of its fair value less costs to sell and its value in use. Where 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 to sell, 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.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company 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 exceeds 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.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employees' end of service benefits
The Company 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.

With respect to its national employees, the Company makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Foreign currencies
Transactions in foreign currencies are recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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 gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Fiduciary assets
The Company 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 financial statements, as they are not assets of the Company.

Events after the reporting period
If the Company 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 Company will assess if the information affects the amounts that it recognises in the Company's financial statements. The Company will adjust the amounts recognised in its 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 Company will not change the amounts recognised in its 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.

Dividend distribution
The Company recognises a liability to pay a dividend when the distribution is no longer at the discretion of the Company. As per the companies law, a distribution is authorised when it is approved by the Shareholders at the annual general assembly. A corresponding amount is recognised directly in equity.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

Classification of investments
Classification of investments is based on management's intention at acquisition and requires considerable judgment.

Classification of financial assets

Effective from 1 January 2018 (IFRS 9)
The Company 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.

Effective before 1 January 2018 (IAS 39)
Management has to decide on acquisition of financial assets whether it should be classified as available-for-sale, held to maturity, investments at fair value through profit or loss or as loans and receivables. In making the judgment, the Company considers the primary purpose for which it is acquired and how it intends to manage and report performance.

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 Company based its assumptions and estimates on parameters available when the 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 Company. 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 Company's share of the net assets of the associates less any impairment losses. The Company is required to assess, at each reporting date, whether there are indications of impairment. If such indications exist, the management estimates the recoverable amount of the associate in order to determine the extent of the impairment loss (if any). The identification of impairment indicators and determination of the recoverable amounts require management to make significant judgements, estimates and assumptions.

Impairment of financial assets at amortised cost

Effective before 1 January 2018 (IAS 39)
An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of financial assets at amortised cost (continued)

Effective from 1 January 2018 (IFRS 9)

The Company 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 Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company 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 GENERAL AND ADMINISTRATIVE EXPENSES

	2018 **KD**	*2017* KD
Staff costs	**2,139,767**	1,925,863
Depreciation and amortisation	**122,422**	77,161
Other administrative expenses	**578,986**	442,226
	2,841,175	2,445,250

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the year. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

	2018	*2017*
Profit for the year (KD)	**6,252,128**	7,501,609
Weighted average number of ordinary shares outstanding during the year (shares)	**150,000,000**	150,000,000
Basic and diluted earnings per share (fils)	**41.68**	50.01

6 CASH AND CASH EQUIVALENTS

	2018 **KD**	*2017* KD
Bank balances and cash	**373,465**	158,549
Short-term deposits	**2,640,282**	5,079,999
Call accounts	**10,582,086**	11,708,037
	13,595,833	16,946,585

Short-term deposits are denominated in both local and foreign currency with maturities of three months or less, and earn an average effective interest rate of 1.94% (2017: 1.48%) per annum.

Call accounts are denominated in both local and foreign currency and earn an average interest rate of 0.063% (2017: 0.063%) per annum.

7 ACCOUNTS RECEIVABLE AND OTHER ASSETS

	2018 **KD**	*2017* KD
Accrued management fees	**2,085,131**	1,823,198
Other assets	**124,895**	825,654
	2,210,026	2,648,852

Other assets include subscriptions in advance in an unlisted mutual fund amounting to KD Nil (2017: KD 668,497).

8 INVESTMENT IN AN ASSOCIATE

Name of the associate	*Country of incorporation*	*Effective equity interest %*		*Principal activities*
		2018	*2017*	
Sanam Real Estate K.S.C.P. ("Sanam")	Kuwait	**24.13%**	24.13%	Real estate

The following table illustrates the summarised financial information of the associate. The information disclosed reflects the amounts presented in the financial statements of the associate and not the Company's share of these amounts.

	2018 **KD**	*2017* KD
Current assets	**2,904,641**	3,783,600
Non-current assets	**6,709,565**	6,227,697
Current liabilities	**(86,359)**	(80,821)
Non-current liabilities	**(42,913)**	(35,875)
Equity	**9,484,934**	9,894,601
Company's share in equity – 24.13% (2017: 24.13%)	**2,288,715**	2,387,567
Impairment losses	**(347,862)**	(347,862)
Company's carrying amount of the investment	**1,940,853**	2,039,705
Revenue	**231,174**	235,673
Other comprehensive income	**-**	652,899
Loss for the year	**(409,666)**	(872,425)
Company's share of loss for the year	**(98,852)**	(210,516)
Company's share of other comprehensive income	**-**	157,534

As at 31 December 2018, the fair value of the Company's interest in Sanam, which is listed in Boursa Kuwait (based on quoted market price) was KD 922,772 (2017: KD 825,483).

Management determined that the decline in fair value of the associate is not evidence of impairment. Accordingly, the management concluded that the associate should not be tested for impairment.

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

8 INVESTMENT IN AN ASSOCIATE (continued)

Reconciliation to carrying amounts

	2018 KD	*2017* KD
As at 1 January	**2,039,705**	2,092,687
Share of results	**(98,852)**	(210,516)
Share of other comprehensive income	-	157,534
As at 31 December	**1,940,853**	2,039,705

9 INVESTMENT SECURITIES

	2018 KD	*2017* KD
Available-for-sale financial assets (IAS 39):		
Local unquoted equity securities	-	1,124,394
Local quoted equity securities	-	10,065,484
Foreign unquoted equity securities	-	4,247,131
Foreign quoted equity securities	-	4,918,860
Local mutual funds	-	9,426,729
Foreign mutual funds	-	13,769,853
Total	-	43,552,451
Financial assets at fair value through profit or loss (IFRS 9):		
Local funds	**16,725,572**	-
Foreign funds	**13,008,179**	-
Total	**29,733,751**	-
Financial assets at fair value through other comprehensive income (IFRS 9):		
Local unquoted equity securities	**1,151,161**	-
Local quoted equity securities	**6,922,904**	-
Foreign unquoted equity securities	**6,429,960**	-
Foreign quoted equity securities	**7,136,976**	-
	21,641,001	-
Total	**51,374,752**	43,552,451

The hierarchy for determining and disclosing the fair values of financial instruments by valuation techniques is presented in Note 21.

10 OTHER FINANCIAL ASSETS AT AMORTISED COST

These represent investment in subordinated bonds issued by local banks and carry an interest rate of 4.5% to 6.95% (2017: 4.50% to 6.20%) per annum and have maturity dates between June 2018 and March 2026 (2017: June 2018 and March 2026). Investments in bonds are subject to expected credit losses.

An analysis of changes in the gross carrying amount and the corresponding expected credit losses in relation to investment in bonds classified under stage 1 are as follows:

10 OTHER FINANCIAL ASSETS AT AMORTISED COST (continued)

2018	*KD Stage 1*
Gross carrying amount as at 1 January 2018	4,700,000
Net movement during the year	(214,739)
At 31 December 2018	4,485,261

2018	*KD Stage 1*
ECL allowance as at 1 January 2018	-
Charge for the year	10,239
At 31 December 2018	10,239

11 PROPERTY AND EQUIPMENT

	Office equipment KD	*Furniture and fittings KD*	*Total KD*
Cost			
As at 1 January 2018	66,202	538,851	605,053
Additions	23,180	1,389	24,569
As at 31 December 2018	**89,382**	**540,240**	**629,622**
Depreciation			
As at 1 January 2018	50,796	85,065	135,861
Depreciation for the year	16,725	101,858	118,583
As at 31 December 2018	**67,521**	**186,923**	**254,444**
Net book value			
As at 31 December 2018	**21,861**	**353,317**	**375,178**

	Office equipment KD	*Furniture and fittings KD*	*Total KD*
Cost			
As at 1 January 2017	46,971	29,449	76,420
Additions	19,231	509,402	528,633
As at 31 December 2017	66,202	538,851	605,053
Depreciation			
As at 1 January 2017	32,663	29,449	62,112
Depreciation for the year	18,133	55,616	73,749
As at 31 December 2017	50,796	85,065	135,861
Net book value			
As at 31 December 2017	15,406	453,786	469,192

12 ACCOUNTS PAYABLE AND OTHER ACCRUALS

	2018 **KD**	*2017* KD
Accounts payable	**125,737**	122,963
Accrued expenses	**762,484**	802,073
Other liabilities	**474,205**	403,477
	1,362,426	1,328,513

13 SHARE CAPITAL

Authorized, issued and fully paid up share capital consists of 150,000,000 (2017: 150,000,000) shares of 100 fils (2017: 100 fils) each. All shares were paid in cash.

14 STATUTORY RESERVE

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and board of directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Company's board of directors. The annual general assembly of the 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 paid up share capital.

15 VOLUNTARY RESERVE

In accordance with the Companies' Law, and the Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year before tax and board of directors' remuneration 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.

16 DISTRIBUTIONS MADE AND PROPOSED

	2018 **KD**	*2017* KD
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2017: 25 fils per share (2016: 20 fils per share)	**3,750,000**	3,000,000
Proposed dividends on ordinary shares:		
Proposed cash dividend for 2018: 25 fils per share (2017: 25 fils per share)	**3,750,000**	3,750,000

Proposed dividends on ordinary shares are subject to approval at the annual general assembly meeting and are not recognised as a liability as at 31 December.

17 FIDUCIARY ASSETS

In the normal course of business, the Company carries out investment management and custody services on behalf of others. As at 31 December 2018, the value of fiduciary assets amounted to KD 1,661,441,114 (2017: KD 1,533,838,071) of which 90.53 % (2017: 90.44%) relates to the principal shareholder of the Company. Fiduciary assets are excluded from the statement of financial position of the Company.

Income earned from fiduciary assets amounted to KD 8,084,763 for the year ended 31 December 2018 (2017: KD 6,714,912).

18 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, associates, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. Transactions with related parties are as follows:

	Parent Company KD	*Other related parties KD*	*2018 KD*	*2017 KD*
Statement of profit or loss:				
Management fees	**5,277,775**	**797,238**	**6,075,013**	5,605,498
General and administrative expenses (rent expenses)	**114,000**	**-**	**114,000**	112,970
Statement of financial position				
Accounts receivable and other assets (accrued management fees)	**1,372,978**	**330,676**	**1,703,654**	1,443,389
Off – balance sheet items				
Fiduciary assets managed on behalf of related parties (Note 17)	**1,445,287,077**	**58,790,790**	**1,504,077,867**	1,387,277,184

Terms and conditions of transactions with related parties
Transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Company has not recorded any expected credit losses of receivables relating to amounts due from related parties (2017: KD Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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

	2018 KD	*2017 KD*
Compensation of key management personnel of the Company		
Salaries and other short term benefits	**644,945**	682,206
Post employment benefits	**55,826**	70,042

The Board of Directors of the Company proposed a directors' remuneration of KD 85,000 for the year ended 31 December 2018 (2017: KD 85,000). This proposal is subject to the approval of the shareholders at the AGM.

19 COMMITMENTS AND CONTINGENCIES

Capital commitments
As at 31 December 2018, the Company had commitment in respect of subscription in advance in an unlisted mutual fund amounting to KD 500,000 (2017: KD Nil).

Contingent liabilities
As at 31 December 2018, the Company had contingent liabilities in respect of bank guarantees arising in the ordinary course of business amounting to KD 200,000 (2017: KD 200,000).

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

20.1 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 equity price risk. Financial instruments affected by market risk include, accounts payables, cash at bank, equity quoted investments and certain accounts receivable.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) 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 Company incurs foreign currency risk on transactions denominated in a currency other than the KD. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

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

b) Interest rate risk

The Company is exposed to interest risk on short term deposits and call accounts which mature or reprice in the short-term, no longer than twelve months. The effective average interest rates are disclosed in Note 6. As a result, the Company is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

c) Equity price risk

The Company's exposure to equity securities price risk arises from investments held by the Group and classified as at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) (Note 9). The Company's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company 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 Company's senior management on a regular basis. The Company's investment executive committee reviews and approves all equity investment decisions.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.1 Market risk (continued)

c) Equity price risk (continued)

At the reporting date, the exposure to non-listed equity investments at fair value was KD 7,581,121. Sensitivity analyses of these investments have been provided in Note 21.

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

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

2018

Market indices	*% change in equity price*	*Effect on equity* KD
Boursa Kuwait	± 5	**261,434**
GCC markets	± 5	**278,264**
Other markets	± 5	**131,600**

2017

Market indices	*% change in equity price*	*Total* KD
Boursa Kuwait	± 5	377,520
GCC markets	± 5	131,454
Other markets	± 5	191,925

20.2 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 Company is exposed to credit risk from its operating activities (primarily rental income receivables), including cash at banks and other financial instruments.

The credit risk on bank balances is limited because the counterparties are reputable financial institutions with appropriate credit-ratings assigned by international credit-rating agencies.

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

	2018 **KD**	*2017* KD
Cash and cash equivalents	**13,595,833**	16,946,585
Accounts receivable and other assets	**2,210,026**	2,648,852
Loans to customers	**386,100**	386,100
Financial assets at amortised cost	**4,485,261**	4,700,000
Credit exposure on assets	**20,677,220**	24,681,537

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.

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.2 Credit risk (continued)

Cash and cash equivalents (continued)
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 Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Loans to customers
The Company has accepted collateral on the loans advanced in the nature of portfolio of investments of counterparties. The detail of these collaterals with coverage over the loan portfolio is as follows:

	2018 **KD**	*2017* *KD*
Loans to customers	**386,100**	386,100
Collateral received	**1,270,576**	4,443,859
Coverage	**329%**	1,151 %

The Company uses a provision matrix based on the Company's historical observed default rates to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. The Company assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. As at the reporting date, the majority of the Company's counterparty exposure has a low risk of default and does not include any past-due amounts. Accordingly, management identified impairment loss to be immaterial.

The Company invests only in bonds with very low credit risk. Company's financial asset at amortised cost comprised solely of bonds that are issued by reputable local banks and are considered to be low credit risk investments.

The Company recognised provision for expected credit losses on its debt instruments at amortised cost amounting to KD 10,239 (2017: KD Nil).

20.3 Concentration of financial assets
The distribution of financial assets by geographic region for 2018 and 2017 is as follows:

2018	*State of Kuwait* **KD**	*Europe* **KD**	*GCC* **KD**	*Total* **KD**
Cash and cash equivalents	**13,229,208**	**304,473**	**62,152**	**13,595,833**
Accounts receivable and other assets	**2,094,871**	**93,437**	**21,718**	**2,210,026**
Loans to customers	**386,100**	**-**	**-**	**386,100**
Other financial assets at amortised cost	**4,485,261**	**-**	**-**	**4,485,261**
Credit exposure on assets	**20,195,440**	**397,910**	**83,870**	**20,677,220**

2017	*State of Kuwait* *KD*	*Europe* *KD*	*GCC* *KD*	*Total* *KD*
Cash and cash equivalents	15,663,633	1,151,719	131,233	16,946,585
Accounts receivable and other assets	2,428,495	53,831	166,526	2,648,852
Loans to customers	386,100	-	-	386,100
Held-to-maturity investments	4,700,000	-	-	4,700,000
Credit exposure on assets	23,178,228	1,205,550	297,759	24,681,537

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.4 Liquidity risk

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

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted repayment obligations.

2018	*Within 3 months KD*	*3 months to 1 year KD*	*Total KD*
Accounts payable and other accruals	**398,759**	**963,667**	**1,362,426**
Contingent liabilities	**-**	**200,000**	**200,000**

2017	*Within 3 months KD*	*3 months to 1 year KD*	*Total KD*
Accounts payable and other accruals	122,963	1,205,550	1,328,513
Contingent liabilities	-	200,000	200,000

The maturity profile of assets and liabilities at 31 December 2018:

2018	*Within 3 months KD*	*3 to 12 months KD*	*More than 1 Year KD*	*Total KD*
Assets				
Cash and cash equivalents	**13,595,833**	**-**	**-**	**13,595,833**
Accounts receivable and other assets	**2,135,141**	**64,935**	**9,950**	**2,210,026**
Loans to customers	**-**	**386,100**	**-**	**386,100**
Financial assets at fair value through profit or loss	**-**	**29,733,751**	**-**	**29,733,751**
Financial assets at fair value through other comprehensive income	**-**	**-**	**21,641,001**	**21,641,001**
Other financial assets at amortised cost	**-**	**-**	**4,485,261**	**4,485,261**
	15,730,974	**30,184,786**	**26,136,212**	**72,051,972**
Liabilities				
Accounts payable and other accruals	**398,759**	**963,667**	**-**	**1,362,426**
	398,759	**963,667**	**-**	**1,362,426**
Net liquidity gap	**15,332,215**	**29,221,119**	**26,136,212**	**70,689,546**

20 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

20.4 Liquidity risk (continued)

2017	*Within 3 months* KD	*3 to 12 months* KD	*More than 1 year* KD	*Total* KD
Assets				
Cash and cash equivalents	16,946,585	-	-	16,946,585
Accounts receivable and other assets	2,558,107	80,794	9,951	2,648,852
Loans to customers	-	386,100	-	386,100
Available-for-sale financial assets	-	-	43,552,451	43,552,451
Held-to-maturity investments	-	1,100,000	3,600,000	4,700,000
	19,504,692	1,566,894	47,162,402	68,233,988
Liabilities				
Accounts payable and other accruals	122,963	1,205,550	-	1,328,513
	122,963	1,205,550	-	1,328,513
Net liquidity gap	19,381,729	361,344	47,162,402	66,905,475

21 FAIR VALUE MEASURMENT

Fair value hierarchy

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

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

Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

21.1 Financial instruments

The following tables provide the fair value measurement hierarchy of the Company's financial assets:

	Fair value measurement using			
2018	*Quoted prices in active markets Level 1* KD	*Significant observable inputs Level 2* KD	*Significant unobservable inputs Level 3* KD	*Total* KD
Assets measured at fair value:				
Financial assets at fair value through profit or loss				
Unquoted equity securities	-	29,733,751	-	29,733,751
Financial assets at fair value through other comprehensive income				
Quoted equity securities	14,059,880	-	-	14,059,880
Unquoted equity securities	-	-	7,581,121	7,581,121
	14,059,880	29,733,751	7,581,121	51,374,752

21 FAIR VALUE MEASURMENT (continued)

21.1 Financial instruments (continued)

	Fair value measurement using			
2017	*Quoted prices in active markets Level 1* KD	*Significant observable inputs Level 2* KD	*Significant unobservable inputs Level 3* KD	*Total* KD
Available for sale financial assets				
Equity securities	14,984,344	-	5,371,525	20,355,869
Managed funds	-	23,196,582	-	23,196,582
	14,984,344	23,196,582	5,371,525	43,552,451

There were no transfers between any levels of the fair value hierarchy during 2018 or 2017.

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

- Cash and cash equivalents
- Accounts receivables and other assets
- Loans to customers
- Other financial assets at amortised cost
- Accounts payable and other accruals

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

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

Unlisted equity investments
The Company have equity investments that are not quoted in an active market. The Company 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 using an average of the quoted prices of the comparable companies to earnings and book measures. The trading multiple is then discounted for considerations such as illiquidity, lack of control and size differences between the peers based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the investee company to measure the fair value. The Company classifies the fair value of these investments as Level 3.

Unlisted mutual funds
The Company 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 net asset value (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, 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 Company classifies these funds as either Level 2.

21 FAIR VALUE MEASURMENT (continued)

21.1 Financial instruments (continued)

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

	At 1 January KD	*IFRS 9 transition adjustment* KD	*Total gains recognised in profit or loss* KD	*Total loss recognised in OCI* KD	*Net (sales) and purchases* KD	*At 31 December* KD
31 December 2018						
Financial assets at fair value through other comprehensive income:	**5,371,525**	**951,860**	**-**	**(928,676)**	**2,186,412**	**7,581,121**
Equity securities						
31 December 2017						
Available-for-sale financial assets						
Equity securities	1,186,931	-	(103,472)	(42,353)	4,330,419	5,371,525

* Due to a change in accounting policy, available for sale financial assets measured at cost less impairment (in accordance with IAS 39) amounting to KD 43,552,451 were recognised in Level 3 for the first time. Refer to Note 2.2 for more information.

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% (2017: Nil)	10% (2017: 10%) increase (decrease) in the discount would decrease (increase) the fair value by KD 1,865,744 (2017: KD Nil)

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

22 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may review the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. Capital comprises share capital and all other equity reserves and is measured at KD 71,583,244 as at 31 December 2018 (2017: KD 68,183,265).