Al Salam Group Holding Company

K.S.C (Public)
and its subsidiaries
Kuwait
Consolidated financial statements
for the financial year ended December 31, 2019
with
Independent auditor's report

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K.S.C (Public)
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Kuwait

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Rödl
Middle East
Burgan - International Accountants
Ali Al-Hasawi & Co

Independent auditor's report

The Shareholders,
Al Salam Group Holding Company
K.S.C (Public) and its subsidiaries
Kuwait

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Salam Group Holding Company - K.S.C. (Public) –"the Parent Company" - and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Al Salam Group Holding Company - K.S.C. (Public) - and its subsidiaries (together referred to as "the Group") as of December 31, 2019, and its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

We have identified the following key audit matter:

Impairment in value of goodwill in associates and subsidiaries

The Group has goodwill connected with its subsidiaries with an amount of KD 3,364,665 (2018: KD 3,364,665) included in (Note - 10) under intangible assets item in the consolidated financial position, and goodwill connected with its associate company (India Holding Company K.S.C (Holding)) with an amount of KD 1,445,038 included in (Note - 9).

Due to the significance of the goodwill included in the Group's consolidated statement of financial position as well as the regulations exercised by the Group's management on estimating if there is impairment in its value, we have considered that goodwill impairment estimation is a key audit matter.

As part of our audit procedures, we have obtained the evaluation conducted by an independent external evaluator with respect to estimating the impairment of goodwill value in the subsidiaries and the associate company (India Holding Company K.S.C (Holding)). We have reviewed the key assumptions of the assessment of value impairment on which the study has been based, we have also reviewed the reasonableness of these assumptions as well as the adequacy of the Group's disclosures included in the consolidated financial statements. The Group's accounting policy related to the evaluation of impairment in value for these items is mentioned in Note (3/10) to the consolidated financial statements.

Other information mentioned on the Board of Directors Report

Other information consists of the information included in the Parent Company's Board of Directors' Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The annual report is expected to be available to us after the date of auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the "Parent Company", physical count was carried out in accordance with recognized practices, and the consolidated financial statements together with the financial contents of the report of the "Parent Company's" Board of Directors are in accordance therewith. Also, we have obtained the information and explanations that we deemed necessary for the purpose of our audit and the consolidated financial statements incorporate the information that is required by the Companies' Law no. 1 of year 2016, related Executive Regulations, as amended, law no. 7 of year 2010 in respect to the establishment of Capital Market Authority and the organization of the securities activity and its regulation and the "Parent Company's" Articles of Incorporation and Memorandum of Association, as amended. According to the information available to us, there were no violations occurred of either the Companies' Law no. 1 of year 2016 or related Executive Regulations, as amended, law no. 7 of 2010 in respect to the establishment of Capital Market Authority and the organization of the securities activity and its regulation or of the "Parent Company's" Articles of Incorporation and Memorandum of Association, as amended that might have had a material effect on the "Parent Company's" business or its consolidated financial position.



Ali A. Al Hasawi
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Rödl Middle East
Burgan International Accountants

March 30, 2020
State of Kuwait

Exhibit - A

Al Salam Group Holding Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of financial position as of December 31, 2019
"All amounts are in Kuwaiti Dinar"

	Note	2019	2018 (Adjusted)
Assets			
Cash and cash equivalents		**39,292**	5,067
Investments at fair value through profit or loss	6	**77,700**	130,642
Accounts receivable and other debit balances	7	**7,257,398**	5,559,481
inventory		**12,509**	30,286
Investments at fair value through other comprehensive income	8	**1,649,643**	3,100,576
Investment in associates	9	**23,646,872**	22,757,640
Intangible assets	10	**3,364,665**	3,364,665
Property and equipment	11	**1,959,443**	2,217,165
Total assets		**38,007,522**	37,165,522
Liabilities and equity			
Liabilities			
Accounts payable and other credit balances	12	**3,888,858**	2,989,964
Provision for end of service indemnity		**140,705**	132,395
Total liabilities		**4,029,563**	3,122,359
Equity			
Share capital	13	**26,964,000**	26,964,000
Share premium	14	**5,904,559**	5,904,559
Statutory reserve	15	**833,543**	833,543
Voluntary reserve	16	**17,978**	17,978
Change in fair value reserve		**(396,043)**	(1,602,414)
Group's share of associates reserves		**102,366**	141,241
Gains on sale of treasury shares		**730,372**	730,372
Accumulated losses		**(3,005,174)**	(1,432,650)
Equity attributable to shareholders of the "Parent Company"		**31,151,601**	31,556,629
Non- controlling interests		**2,826,358**	2,486,534
Total equity		**33,977,959**	34,043,163
Total liabilities and equity		**38,007,522**	37,165,522

Ali Khalid Al-Qabandi
Chairman

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

Exhibit - B

Al Salam Group Holding Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of profit or loss for the financial year ended December 31, 2019
"All amounts are in Kuwaiti Dinar"

	Note	2019	2018
Revenue			
Losses of investments	18	**(184,771)**	(73,077)
Group's share in associates results		**61,503**	51,763
Net contracts income	19	**1,274,865**	1,416,516
Other income		**7,927**	2,850
General and administrative expenses	20	**(783,603)**	(620,147)
Net profit for the year		**375,921**	777,905
Attributable to:			
Shareholders of the "Parent Company"		**35,717**	317,946
Non-controlling interests		**340,204**	459,959
Net profit for the year		**375,921**	777,905
Earnings per share attributable to shareholders of the "Parent Company"/(fils)	21	**0.132**	1.179

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

Al Salam Group Holding Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of profit or loss and other comprehensive income for the financial year ended December 31, 2019
"All amounts are in Kuwaiti Dinar"

	2019	2018
Net profit for the year	**375,921**	777,905
Other comprehensive income:		
Items that not may be reclassified subsequently to the consolidated statement of profit or loss:		
Cumulative changes in fair value of through statement of profit or loss	**(145,404)**	(1,666,894)
Loss of disposals of investments at fair value through other comprehensive income	**(18,535)**	-
Items that may be reclassified subsequently to the interim consolidated statement of profit or loss:		
Group's share in associates' reserves	**(54,931)**	122,474
Other comprehensive income for the year	**(218,870)**	(1,544,420)
Total comprehensive income for the year	**157,051**	(766,515)
Attributable to:		
Shareholders of the "Parent Company"	**(183,153)**	(1,226,474)
Non-controlling interests	**340,204**	459,959
Total comprehensive income for the year	**157,051**	(766,515)

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

Al Salam Group Holding Company
L.S.C (Public)
nd its subsidiaries
Kuwait

Consolidated statement of changes in equity for the year ended December 31, 2019
All amounts are in Kuwaiti Dinar"

	Equity attributable to shareholders of the "Parent Company"										
	Share capital	Share premium	Statutory reserve	Voluntary reserve	Change in fair value reserve	Group's share of associate reserves	Gains on sale of treasury shares	Accumulated loss	Total	Non-controlling interests	Total
alance at January 1, 2018	26,964,000	5,904,559	833,543	17,978	64,480	193,893	730,372	(697,354)	34,011,471	2,426,513	36,437,984
ransition adjustment on adoption f IFRS 9 on January 1, 2018	-	-	-	-	-	-	-	(1,053,242)	(1,053,242)	(299,948)	(1,353,190)
alance at January 1, 2018 djusted"	26,964,000	5,904,559	833,543	17,978	64,480	193,893	730,372	(1,750,596)	32,958,229	2,126,565	35,084,794
et profit for the year	-	-	-	-	-	-	-	317,946	317,946	459,959	777,905
ther comprehensive income for he year	-	-	-	-	(1,666,894)	122,474	-	-	(1,544,420)	-	(1,544,420)
otal comprehensive income for he year	-	-	-	-	(1,666,894)	122,474	-	317,946	(1,226,474)	459,959	(766,515)
et movement in non- controlling nterests	-	-	-	-	-	-	-	-	-	(99,990)	(99,990)
alance at December 31, 2018	26,964,000	5,904,559	833,543	17,978	(1,602,414)	316,367	730,372	(1,432,650)	31,731,755	2,486,534	34,218,289
alance at January 1, 2019	26,964,000	5,904,559	833,543	17,978	(1,602,414)	316,367	730,372	(1,432,650)	31,731,755	2,486,534	34,218,289
djustment to the opening balance esulted from the Group's share in ssociate reserves (Note – 9)	-	-	-	-	-	(175,126)	-	-	(175,126)	-	(175,126)
alance at January 1, 2019 djusted)	26,964,000	5,904,559	833,543	17,978	(1,602,414)	141,241	730,372	(1,432,650)	31,556,629	2,486,534	34,043,163
esult of disposals of investments t fair value through other omprehensive income owned by ssociate	-	-	-	-	-	16,056	-	(16,056)	-	-	-
esult of transferring investments t fair value through other omprehensive income to nvestments in associates	-	-	-	-	1,351,775	-	-	(1,573,650)	(221,875)	-	(221,875)
Net profit for the year	-	-	-	-	-	-	-	35,717	35,717	340,204	375,921
Other comprehensive income for he year	-	-	-	-	(145,404)	(54,931)	-	(18,535)	(218,870)	-	(218,870)
Total comprehensive income for he year	-	-	-	-	(145,404)	(54,931)	-	17,182	(183,153)	340,204	157,051
Net movement in non- controlling nterests	-	-	-	-	-	-	-	-	-	(380)	(380)
Balance at December 31, 2019	**26,964,000**	**5,904,559**	**833,543**	**17,978**	**(396,043)**	**102,366**	**730,372**	**(3,005,174)**	**31,151,601**	**2,826,358**	**33,977,959**

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

Exhibit - E

Al Salam Group Holding Company
K.S.C (Public)
and its subsidiaries
Kuwait

Consolidated statement of cash flows for the financial year ended December 31, 2019
"All amounts are in Kuwaiti Dinar"

	2019	2018
Cash flows from operating activities		
Net profit for the year	**375,921**	777,905
Adjustments		
Provision for end of service indemnity	**50,829**	37,578
Losses of investments	**184,771**	73,200
Result of an associate's disposal	**-**	109,144
(Profits)/losses from sale of property and equipment	**(5,586)**	2,709
Depreciation	**327,725**	239,575
Group's share of associates' results	**(61,503)**	(160,907)
Adjusted profit before calculating the effect of change in working capital items	**872,157**	1,079,204
Accounts receivable and other debit balances	**(742,506)**	(1,090,616)
Inventory	**17,777**	(30,286)
Accounts payable and other credit balances	**898,894**	436,277
Used from provision of expected credit losses	**(955,411)**	-
Cash generated from operating activities	**90,911**	394,579
End of service indemnity paid	**(42,519)**	(11,746)
Net cash generated from operating activities	**48,392**	382,833
Cash flows from investing activities		
Investments at fair value through profit or loss	**-**	(138,901)
Proceeds from sale of investments at fair value through profit or loss	**-**	125,533
Proceeds from sale of share in associate	**88,863**	75,395
Investments in associates	**(38,233)**	(60,402)
Proceeds from sale of property and equipment	**185,468**	40,950
Property and equipment	**(249,885)**	(352,630)
Net movement on non-controlling interests	**(380)**	(99,990)
Net cash used in investing activities	**(14,167)**	(410,045)
Net increase/(decrease) in cash and cash equivalents	**34,225**	(27,212)
Cash and cash equivalents at beginning of the year	**5,067**	32,279
Cash and cash equivalents at end of the year	**39,292**	5,067

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

Al Salam Group Holding Company
K.S.C (Public) and its subsidiaries
Kuwait

Notes to the consolidated financial statements for the year ended December 31, 2019
"All amounts are in Kuwaiti Dinar unless stated otherwise"

1- Incorporation and activity

Al Salam Group Holding Company - K.S.C (Public) was incorporated on November 9, 1997.

The Parent Company's main activities are as follows:

- Owning shares in Kuwaiti or Foreign shareholding or limited liability companies, or participating in establishing these companies and managing and lending them and providing guarantees on their behalf to others.
- Lending the companies in which it owns shares and providing guarantees on behalf of those companies to others, providing that the holding Company's ownership percentage in the share capital of the borrowed Company must be at least 20%.
- Owning industrial equity of patents, industrial trademarks, industrial fees or any other rights related to that and franchise them to other companies to utilize them inside Kuwait or abroad.
- Owning the necessary movables and properties to carry out its activity in accordance with the Law.

The "Parent Company" may have an interest in, or may participate in any form with the institutions that have a similar business or that will assist the Parent Company to achieve its objectives inside or outside Kuwait and it may establish or participate in or acquire these institutions or join them.

The "Parent company" carries on all its activities in accordance with the rules of the Islamic Shari'a.

The registered address of the "Parent Company" is: Kuwait – Sharq – Jaber Almubarak Street – Bahbahani complex – Floor 16.

The Board of Directors approved these consolidated financial statements for the financial year ended December 31, 2019 for issue on March 30, 2020.

2- Application of new and revised International Financial Reporting Standards (IFRSs)

2/1) Newly effective standard and amendments and improvements to standards

The new International Financial Reporting Standard IFRS 16 has become effective with effect from January 1, 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations were applied for the first time from January 1, 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

- **IFRS 16: Leases**

IFRS 16 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 a change in the 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 measure all leases using the same classification principle as in IAS 17 and distinguishing between two types of leases: operating and finance leases.

The adoption of IFRS 16 has no impact on the consolidated financial statements of "the Group .Since the Group has only a short- term lease contract.

- **Other amendments to Standards**

The following interpretations and amendments to standards have also been applied by the Group in preparation of these consolidated financial statements.

- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017)
  - Amendments to IFRS 3 Business Combinations
  - Amendments to IFRS 11 Joint Arrangements
  - Amendments to IAS 12 Income Taxes
  - Amendments to IAS 23 Borrowing Costs

(The adoption of the above did not result in any changes to previously reported net profit or net assets of the Group).

2/2) New and amended standards not yet effective, but available for early adoption

The below new and amended IFRSs that are available for early adoption for financial year ended December 31, 2019 are not effective until a later period, and they have not been applied in preparing these the consolidated financial statements

Adoption is not expected to impact the Group's the consolidated financial statements:

Effective date	Description
January 1, 2020	• Amendments to IFRS 3 "Business Combinations'' • Amendments to References to the Conceptual Framework in IFRS Standards • Amendments to IAS 1 and IAS 8 on 'Definition of Material'
January 1, 2021	• IFRS 17 "Insurance Contracts''
Effective date to be determined	• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

3- Significant accounting policies

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

3/1) Basis of the consolidated financial statements preparation

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Boards (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and State of Kuwait Companies' Law requirements and subsequent amendments.
- The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements of "the Group" for the previous financial year.
- These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "Investments at fair value through profit or loss and Investment at fair value through other comprehensive income". These financial statements have been presented in Kuwaiti Dinars.
- The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note (4).

3/2) Basis of consolidation of the financial statements

The consolidated financial statements include the financial statements of Al Salam Group Holding Company K.S.C (Public) ("the Parent Company") and its subsidiaries (together referred to as "the Group") disclosed under note 5.

Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The control is maintained by the Parent Company when:

- Exercise power over the investee;
- Exposure to variable returns or obtains rights from involvement with the investee,
- Ability to use its power to affect the investee returns.

When "the Parent Company" does not has majority voting rights in the investee, the Parent Company takes into consideration facts and other factors in assessing the control, which include:

- Contractual arrangement between "the Parent Company" and other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Parent Company's voting rights;
- Other potential voting rights.

The financial statements of subsidiaries acquired or disposed are included in the financial statements from the date the control effectively commences until the date that control effectively end.

The financial statements of the subsidiaries are on a line–by–line basis by adding together alike items of assets, liabilities, revenues and expenses. All inter–company balances and transactions, including unrealized profits or losses arising from inter–company transactions, are fully eliminated. Financial statements are prepared using uniform accounting policies for similar transactions and other events which accrue in similar conditions.

The financial statements of the subsidiaries are prepared for the same date or within three months of the reporting period of the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist between the subsidiaries' financial year date and the Parent Company's financial year date.

Non–controlling interests in the net assets of subsidiaries are identified separately from the Group's equity therein. Non–controlling interests consist of the interest at the date of the original business combination and the non–controlling interest share of changes in equity since the date of the combination. Profits and losses attributed to the owners of the Parent Company and to the non–controlling interests in the ratio of their respective shareholdings even if that resulted in the non–controlling interests having a deficit balance.

The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the statements of financial position and profit or loss. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

When ownership of subsidiaries changes without loss of control, the transaction is accounted for within equity. However, when control is lost as a result of change in ownership, then:

- Derecognize the assets and liabilities of the subsidiaries reported in statement of financial position (including goodwill);
- Recognize any remaining investment of the subsidiaries at fair value at date of loss of control;
- Derecognize non–controlling interests.
- Recognize the profit or loss resulting from the loss of control in the consolidated statement of profit or loss and other comprehensive income.

3/3) Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

3/4) Financial instruments

Recognition, initial measurement and derecognition

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

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

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

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

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

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

- Financial assets at amortised cost
- Financial assets at fair value through Other Comprehensive Income (FVTOCI)
- Financial assets at fair value through profit or loss (FVTPL)

The classification is determined by both:

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

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

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

Subsequent measurement of financial assets

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

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

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

The Group accounts for financial assets at FVTOCI if the assets meet the following conditions:

- They are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled to the consolidated statement of profit or loss upon recognition of the asset (except for equity investments at FVTOCI as detailed below).

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

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

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

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

- **Financial assets at FVTPL**
  Financial assets that do not meet the criteria for measurement at amortised cost or FVOCI are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below). The category also contains investments in equity shares.

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

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

- Investment in bonds
- Investment in equity shares

Impairment

Non-derivative financial assets
Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Company on terms that the Company would not consider. otherwise;
- Indications that a debtor will enter bankruptcy; or
- Observable data indicating that there is measurable decrease in expected cash flows from a group of financial assets.

Financial assets measured at amortized cost

The financial assets at amortised cost comprise of trade receivables and cash at bank under IFRS 9 and loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date.
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group has elected to measure loss allowances for trade receivables, contracts assets and all lease receivables that result from transactions that are within the scope of IAS 17 with an amount equal to lifetime ECLs.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and information on credit risk assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 365 days past due. The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising the guarantee (if any is held); or
- The financial asset is more than 365 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured with the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses the financial assets carried at amortised cost. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables are presented under general and administrative expenses in the consolidated statement of profit or loss.

3/5) **Business combinations**

Acquisitions of businesses combination are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except deferred tax assets or liabilities, liabilities or equity instruments related to share based payment arrangements and assets that are classified as held for sale in which cases they are accounted for in accordance with the related IFRS.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquired (if any), the excess is recognised immediately in consolidated statement of profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-Transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognised in consolidated statements of profit or loss and other comprehensive income are reclassified to consolidated profit or loss where such treatment would be appropriate if that interest were disposed off.

3/6) Cash and cash equivalents

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

3/7) Trade receivables

Trade receivables are stated at their nominal value, less the allowance for any doubtful debts .The Company always measures the loss allowance for impairment for trade receivables at an amount equal to lifetime ECL.

3/8) Inventory

Inventory is valued at the lower of cost and net realizable value after making allowance for any slow moving and obsolete stocks. Cost is determined on first in first out method. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs.

3/9) Investment in associates

Associates are entities over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group's investment in associates is accounted for under the equity method of accounting, i.e. on the statement of financial position at cost plus post-acquisition changes in the group's share of the net assets of the associate, less any impairment and the statement of profit or loss reflects the group's share of the results of operations of associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill.

The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess is recognized immediately in the statement of profit or loss after re-estimating of the parent company's share in the net fair value of the identified assets, liabilities and contingent liabilities over the cost of acquisition.

Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the group's share in the associate arising from changes in the associate's equity. Changes in the group's share in associate's equity are recognised immediately in the consolidated statement of changes in equity.

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

Unrealised gains on transactions with associate are eliminated to the extent of the group's share in the associate. Unrealised losses are also eliminated unless the transactions provide evidence of impairment in the asset transferred.

An assessment for impairment of investment in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

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

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the consolidated statement of profit or loss.

3/10) Intangible assets and goodwill

The non-cash assets which are acquired for the activity purposes and which have expected future benefits are considered as intangible assets. The intangible assets with indefinite useful life are not amortized and evaluated yearly for impairment identification, if any.

Intangible assets are amortized over their expected productive age. Reference to the licenses of the acquired networks which are operated based on fixed terms, the term of the amortization is determined based on the license validity period and its renewal terms. The license fees are amortized on a straight line basis over license period.

Goodwill represents the difference between cost of the acquisition and the fair value of the Group's share of the net assets acquired in a business combination or associates as of the date of acquisition. Goodwill arising from the acquisition of subsidiaries is included in intangible assets while goodwill arising from the acquisition of associates is included in investments in associates. Goodwill is distributed on each belonging cash generating units for the purpose of good will impairment evaluation. Goodwill is tested at least annually to identify good will impairment if any the goodwill appears at cost less accumulated impairment losses at accumulated value. Profits or losses of the sale of the subsidiary or a part of it include the book value for the goodwill related to the sold subsidiary or the sold part of it.

For the purpose of determining impairment at value, assets are consolidated to the lowest level at which cash flows to the group of assets can be determined independently. If there is an indication that the carrying value of intangible assets is greater than its recoverable amount, assets are impaired to their recoverable amount and the impairment loss at value is recognized in the consolidated statement of profit or loss and other comprehensive income. The impairment loss for goodwill is not reversed again in the following periods.

3/11) Property and equipments

Property and equipments are stated at cost less accumulated depreciation. The recoverable value of property and equipment are reviewed at the consolidated financial position date. If the recoverable value for property and equipments decreased from the book value in which case the book value is written down to the recoverable value. If the useful lives are different from its estimated lives then the useful lives are adjusted from the beginning of the year in which the change occurred in without going into retroactively.

Gains or losses of disposal of property and equipments in the consolidated statement of profit or losses are stated by the difference between the net realizable value and net book value.

Property and equipments are depreciated on straight line over their estimated useful live which estimated as follow:

Furniture and air conditions	20%
Machinery and equipments	10%
Decorations and fixtures	20%
Vehicles	15%
Computers	20%

Properties under construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

3/12) Impairment of tangible and intangible assets (including investment in associates)

At each consolidated statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets ha the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the Increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income unless the relevant asset is carried at a revalued amount in which case the reversal of the Impairment loss is recognised in the revaluation surplus.

3/13) Account payables and liabilities

Accounts payable and liabilities are stated at their nominal value and the liabilities are recognized for amounts to be paid in the future for goods or services received/rendered, whether billed by the supplier or not.

3/14) Provision for end of service indemnity

Provision for end of service indemnity has been made as per the Labor Law in the private sector and signed contracts on the assumption of ending the services of all staff at the consolidated financial position date. This obligation is not funded. The management expects that based on this method of calculation a reasonable estimate is made of the obligation of the Group towards employees indemnity for previous and current periods.

3/15) Treasury shares

The treasury shares represents the shares of the "Parent Company" purchased and were issue and then re-buy them later by the Group and has not been reissued or canceled. Treasury shares are accounted under cost method. Under the cost method, the weighted average cost of the treasury shares is charged to an account in equity. When the treasury shares are sold, gains are credited in a separate account in equity (Gain on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on the same account. Any excess losses are charged to retained earnings then voluntary reserve then statutory reserve. Realized gains subsequently on the sale of treasury shares are first used to offset any previously recorded losses in reserves, retained earnings and gain on sale of treasury shares account respectively.

3/16) Equity and reserves

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

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

Accumulated losses include all current and prior period profits and losses. All transactions with shareholders of the parent company are recorded separately within consolidated equity.

Dividend distributions payable to equity shareholders are included in payables and other credit balances when the dividends have been approved in a meeting of the general assembly.

3/17) Revenue recognition

- Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers.the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties. Revenue is recognized either at a certain time or over time when the Group meets performance obligations by transferring goods or services to its customers .The Group recognizes contract obligation for amounts received in respect of unsatisfactory performance obligations and provides these, if any, as other liabilities in the consolidated statement of financial position. Similarly, if the Group fulfills a performance obligation before it receives the consideration, the Group recognizes either the origin of the contract or receivable, if any, in its consolidated statement of financial position, depending on whether there is anything other than the time required before the amounts are due.
- Revenue from services is recognized on time and material basis when services are provided. Invoices are periodically issued to customers in accordance with individual contracts as the work progresses. Any remaining unearned amounts at the end of the reporting period are presented in the consolidated statement of financial position as account receivables since only time is required before the payment is due.
- Gain on sale of investments in securities is measured by the difference between the net sales proceeds and the book value of the investment sold.
- Dividends income is recognized when the group's right to receive it is established.
- Other categories of income are recognized when earned, at the time the related services are rendered and / or based on the terms of the contractual agreement of each activity.

3/18) Provisions

Provision is recognized when the group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each consolidated financial position date and adjusted to reflect the current best estimate.

3/19) Foreign currencies

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

Translation differences on non-monetary items, such as equities classified as investments available for sale financial assets are included in the investment fair valuation reserve in equity.

The profit or loss and cash flow consolidated statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their statement of financial position are translated at exchange rates ruling at the year-end.

Exchange differences arising from the translation of the net investment in foreign operations (including goodwill, long-term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of profit or loss and other comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of profit or loss as part of the gain or loss on sale.

3/20) National Labor Support Tax (NLST)

NLST is calculated in accordance with La w No. 19 of 2000 and the Minister of Finance Resolutions No.24 of 2006 at 2.5% of taxable profit of the Group after deducting directors' fees for the year. As per law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have to be deducted from the profit for the year.

3/21) Kuwait Foundation for the Advancement of Science

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

3/22) Zakat

Contribution to Zakat is calculated at 1% of the profit of the group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007. Based on the regulations issued with respect to national labors support tax and zakat, no losses are carried forward to future periods or charging them to previous years.

3/23) Contingent liabilities and assets

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote, contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3/24) Segment reporting

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are classified as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

4- Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect amounts reported in these consolidated financial statements, as actual results could differ from these estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Judgments and estimates that are significant to the consolidated financial statements are shown below:

Judgments

Contingent liabilities / liabilities

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

Key sources of estimation uncertainty

Impairment of tangible and intangible assets and useful lives
The Group's management tests annually tangible and intangible assets impairment in accordance with accounting policies stated in Note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and related depreciation and amortisation charge. The depreciation and amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment of assets with definite lives
At the financial position date, the group's management assesses, whether there is any indication that assets with definite lives may be impaired. The recoverable amount of an asset is determined based on the "value in use" method. This method uses estimated cash flow projections over the estimated useful life of the asset.

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

Goodwill
The Group annually tests whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair value less costs to sell. The fair value less cost to sell is based on recent/ intended market transactions and the related EBITDA multiples used in such transactions. These calculations require the use of estimates.

5- Investments in subsidiaries

These consolidated financial statements include the financial statements of the "Parent Company" and the following subsidiaries:

	Shareholding percentage %		Country of incorporation	Activity
	2019	2018		
Al Dosr International for General Trading and Contracting Company (W.L.L) and "its subsidiaries"	**99%**	99%	Kuwait	General Trading and Contracting
Atlantic Group for General Trading and Contracting Company (W.L.L)	**99%**	99%	Kuwait	General Trading and Contracting

- The financial statements of subsidiaries have been consolidated based on audited financial statements as of December 31, 2019.

6- Investments at fair value - statement of profit or loss

	2019	2018
Investments in local shares - quoted	77,700	130,642
	77,700	130,642

- The investments have been evaluated in accordance with valuation technique methods mentioned in (Note – 26).

7- Accounts receivable and other debit balances

	2018	2017
Advance payments for purchasing investments	194,028	294,028
Accounts receivable	2,747,742	3,483,453
Expected credit losses provision	(427,253)	(1,422,664)
	2,514,517	2,354,817
Due from related parties (Note - 17)	2,874,542	1,479,420
Bank guranttees	973,244	1,154,182
Prepaid expenses	878,159	518,118
Staff receivables	10,053	40,722
Refundable depoists	6,883	12,222
	7,257,398	5,559,481

The movement of the expected credit losses provision during the year is as follows:-

	2019	2018
Balance at beginning of the year	1,422,664	150,000
Transition adjustment of adoption of IFRS 9	-	1,272,664
Used during the year	(995,411)	-
Balance at the end of the year	427,253	1,422,664

The maximum exposure to credit risks at the consolidated financial position date is disclosed in note 26 to these consolidated financial statements. The other classes within receivables and other receivables are neither past due nor impaired.

As of December 31, the trade receivables aging were as follows:

2019

During 30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
601,974	399,644	218,591	1,144,310	383,223	2,747,742

2018

During 30 days	30-60 days	60-90 days	90-120 days	>120 days	Total
584,702	512,988	602,149	178,656	1,604,958	3,483,453

8- Investments at fair value through other comprehensive income

The investments at fair value through other comprehensive income are equity securities not held for trading.

	2019	2018
Investments in local shares - quoted	**418,301**	563,314
Investments in local shares - unquoted	**1,231,342**	2,537,262
	1,649,643	3,100,576

The movements of investments at fair value through other comprehensive income are as follows:

	2019	2018
Balance at beginning of the year	**3,100,576**	-
Impact of adopting IFRS 9	**-**	4,767,470
Change in fair value	**(145,404)**	(1,666,894)
Transferred from investments at fair value through other comprehensive income to investments in associates	**(1,305,529)**	-
Balance at end of the year	**1,649,643**	3,100,576

Some investments were evaluated at fair value through other comprehensive income in accordance with evaluation methods disclosed in (Note - 26), while some investments have been evaluated at fair value through other comprehensive income with an amount of KD 1,231,342 based on internal valuations made by the management. The management believes that there is no indicator for impairment in value.

9- Investments in associates

The details of these investments are as follow:

	Shareholding percentage %			
Company name	**2019**	2018	**2019**	2018
India Holding Company K.S.C (Holding)	**%39.3136**	%33.9827	**9,406,628**	8,363,123
Gulf Petroleum Investment Co. K.S.C (Public)	**%15.0619**	%15.4843	**6,188,299**	6,689,772
Jiyad Holding Company - K.S.C (Public)	**%20.5673**	%20.5673	**8,051,945**	7,704,745
			23,646,872	22,757,640

- The Group's share of associate results of India Holding Company K.S.C (Holding) has been recorded as a loss with an amount of KD 40,149 based on the audited consolidated financial statements as of December 31, 2019.
- Investment in associate - India Holding Company K.S.C (Holding) - includes goodwill with an amount of KD 1,455,038.

- During the current financial year, the Group has been re-classified its ownership shares that recorded in investments at fair value through other comprehensive income in (India Holding Company K.S.C (Holding)) by 5.3309% (Note – 8) to investments in associates and therefore the ownership of associate company (India Holding Company K.S.C (Holding)) has become 39.3136%.
- The Group's share of associate results of Gulf Petroleum Investment Co K.S.C (Public) has been recorded as a loss with an amount of KD 259,365 based on the financial information prepared by the management as of December 31, 2019.
- During the current financial year, the Group decreased its ownership in the associate Gulf Petroleum Investment Co. K.S.C (Public) by %0.4224 and therefore its ownership has become %15.0619 instead of %15.4843 and since the Group is still exercising a significant influence on the company's financial and operational policies, the investment is still held and categorized as investment in an associate.
- The Group's share of associate results of Jiyad Holding Company - K.S.C (Public) has been recorded as a profit with an amount of KD 361,017and the balance of reserves has been adjusted with an amount of KD 175,126 as resulted from Group's share in associate reserve (Jiyad Holding Company - K.S.C (Public)) (Exhibit – D).

The movements of investments in associates are as follows:

	2019	2018
Balance at beginning of the year	**22,757,640**	22,853,591
Additions	**38,233**	60,859
Disposals	**(220,692)**	(140,524)
Group's share on the impact of adopting IFRS 9	**-**	(80,526)
Transferred from investments at fair value through other comprehensive income to investments in associates	**1,305,529**	-
Resulted from the transfer from investments at fair value through other comprehensive income to investments in associates	**(221,875)**	-
Group's share of associates reserves	**(54,931)**	(96,667)
Group's share of associates results	**61,503**	160,907
Result from disposal of investments at fair value through other comprehensive income	**(18,535)**	-
Balance at ending of the year	**23,646,872**	22,757,640

The following is the brief financial statements of the associates. The information below mentioned represents the amounts shown in the most recent financial statements of the associate which have been prepared in accordance with the International Financial Reporting Standards.

India Holding Company K.S.C (Holding):

	2019	2018
Assets	**20,351,276**	20,634,117
Liabilities	**94,239**	274,976
Non-controlling interests	**30,991**	30,996
Gross losses	**(100,139)**	(99,538)
Loss for the year	**(102,099)**	(135,999)
Other comprehensive income for the year	**-**	-

The following is a settlement of the brief financial statements mentioned above up to the book value of the Group's share in the company which is stated in the consolidated financial statements.

	2019	2018
Net assets of the associate	**20,226,046**	20,328,145
Group's ownership percentage (%)	**39.3136%**	33.9827%
Company's book value	**7,951,590**	6,908,085

Gulf Petroleum Investment Co. K.S.C (Public)

	Financial statement as of December 31, 2019	Financial information for the period ended September 30, 2018
Assets	**60,350,447**	62,850,660
Liabilities	**18,817,979**	19,274,036
Non- controlling interests	**446,812**	372,945
Gross profits	**1,293,814**	483,997
Loss for the year/period	**(1,721,986)**	(2,341,194)
Other comprehensive income for the year/period	**(304,706)**	224,924

The following is a settlement of the brief financial information mentioned above up to the book value of the Group's share in the company which is stated in the consolidated financial statements.

	Financial statement as of December 31, 2019	Financial information for the period ended September 30, 2018
Net assets of the associate	**41,085,656**	43,203,679
Group's ownership percentage (%)	**%15.0619**	%15.4843
Company's book value	**6,188,299**	6,689,772

Jiyad Holding Company - K.S.C (Public)

	2019	2018
Assets	**62,718,468**	39,828,298
Liabilities	**21,446,515**	2,325,577
Non- controlling interests	**2,122,721**	41,000
Gross profits	**3,701,920**	1,962,471
Profit for the year	**1,754,681**	1,776,149
Other comprehensive income for the year	**(67,170)**	231,026

The following is a settlement of the brief financial statements mentioned above up to the book value of the Group's share in the company which is stated in the consolidated financial statements.

	2019	2018
Net assets of the associate	**39,149,232**	37,461,721
Group's ownership percentage (%)	**%20.5673**	%20.5673
Company's book value	**8,051,945**	7,704,869

10- Intangible assets

This item represents the value of goodwill with an amount of KD 1,370,139 (2018: KD 1,370,139) resulted from the acquisition of Beet Al Amal Holding Company K.S.C (Holding) and goodwill with an amount of KD 1,994,526 (2018: KD 1,994,526) resulted from the acquisition of Atlantic Group for General Trading and Contracting Company (W.L.L).

	2019	2018
Balance at beginning of the year	3,364,665	3,364,665
Balance at end of the year	3,364,665	3,364,665

The management make annually test to determine if there is any indicator of impairment in the value of goodwill. And the "parent company's" management believes that there is no indicator for impairment in value of goodwill according to study prepared by external party dated on December 31, 2019.

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11- Property and equipment

	Furniture and Air conditions	Machinery and Equipment	Decorations and fixtures	Vehicles	Computers	Total
Cost						
Balance at January 1, 2019	72,004	1,755,520	5,500	2,387,023	67,136	4,287,183
Additions	10,346	21,781	-	209,420	8,338	249,885
Disposals	-	(158,152)	-	(530,879)	-	(689,031)
Balance at December 31, 2019	82,350	1,619,149	5,500	2,065,564	75,474	3,848,037
Accumulated depreciation						
Balance at January 1, 2019	52,914	992,214	5,499	977,276	42,115	2,070,018
Charged for the year	8,606	168,280	-	138,273	12,566	327,725
Disposals	-	(171,649)	-	(337,500)	-	(509,149)
Balance at December 31, 2019	61,520	988,845	5,499	778,049	54,681	1,888,594
Net book value						
At December 31, 2019	**20,830**	**630,304**	**1**	**1,287,515**	**20,793**	**1,959,443**
At December 31, 2018	19,090	763,306	1	1,409,747	25,021	2,217,165

12- Accounts payable and other credit balances

	2019	2018
Due to related parties (Note -17)	**1,296,142**	806,873
Property and equipment purchasing creditors	**597,781**	607,044
Accrued expanses	**451,277**	289,449
Trade payables	**425,501**	340,423
Financial investments purchasing creditors	**204,822**	204,822
Advance payments from customers	**115,647**	165,941
Staff-leave provision	**42,672**	41,319
Taxes deduction	**425,270**	412,278
Accrued dividends	**115,267**	115,767
Other	**214,479**	6,048
	3,888,858	2,989,964

13- Share capital

The authorized and fully paid up capital amounting to KD 26,964,000 (Twenty six million nine hundred and sixty four thousand Kuwaiti Dinar) distributed to 269,640,000 share (two hundred and sixty nine million and six hundred forty thousand share) the value is each share is 100 Kuwaiti fils and all shares are in cash.

14- Share premium

The share premium is not available for distribution, unless the local laws don't state otherwise.

15- Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles and Memorandum of Association, 10% from the net profit for the year before the contribution to Kuwait Foundation for the Advancement of Science, the national labor support tax Zakat and Board of Directors remuneration is transferred to the statutory reserve. The General Assembly may discontinue such annual transfer if the reserve excesses half of the share capital. And are not allowed for distribution among the shareholders but limited to secure distribution of dividends among the shareholders reached to 5 % in years when group's profits are not sufficient to secure that amount. There is no transfer to reserve due to accumulated losses.

16- Voluntary reserve

As required by the "Parent Company's" Articles and Memorandum of Association a percentage of the net profit for the year is transferred to the voluntary reserve proposed by the Board of Directors and approved by the General Assembly. Such transfer may discontinue by a resolution from the Ordinary General Assembly of the Shareholders based on a recommendation from the Board of Directors the transfer to the voluntary reserve discontinued from previous years based on the board of director's decision.

17- Transactions with related parties

Related parties comprise of the associates, major shareholders, Board of Directors, key management personnel of the group, companies which they control or jointly controlled or significantly influence. The group's management determines the pricing policies and terms of these transactions. The balances and amounts due from/to related parties are interest free and have no specific maturity date.

The balances and movements of the transactions with related parties which included in the consolidated financial statements are as follows:

Consolidated statement of financial position:	**2019**	2018
Due from related parties (Note - 7)	**2,874,542**	1,479,420
Due to related parties (Note – 12)	**1,296,142**	806,873

Consolidated statement of profit or loss:

The consolidated statement of profit or loss does not include any transactions with related parties during the year.

The transactions with related parties are subject to the approval of the Shareholders' General Assembly.

18- Losses of investments

	2019	2018
Losses on sale of investments in associates	**(131,829)**	(3,415)
Change in fair value of investments at fair value through profit or loss	**(25,529)**	(69,662)
Losses on sale of investments at fair value through profit or loss	**(27,413)**	-
	(184,771)	(73,077)

19- Net contract's income

	2019	2018
Contract's income	**5,327,954**	6,438,682
Cost of activity	**(4,053,089)**	(5,022,166)
	1,274,865	1,416,516

20- General and administrative expenses

	2019	2018
Staff costs	313,686	259,066
Rent	37,297	52,411
Subscriptions and fees	18,123	6,890
Professional fees	102,371	11,923
Traveling and transportations	-	1,516
Bank expenses	74,689	40,389
Insurance	40,437	11,181
Other	197,000	236,771
	783,603	620,147

21- Earnings per share attribute to shareholders of the Parent Company /(fils)

Earnings per share are computed by dividing the net profit for the year attribute to the shareholders of the parent company by the weighted average of ordinary shares outstanding during the year as follows:

	2019	2018
Net profit for the year attribute to the shareholders of the "Parent Company"	35,717	317,946
Weighted average of outstanding shares during the year/(share)	269,640,000	269,640,000
Earnings attribute to the shareholders of the parent company/per share/(fils)	0.132	1.179

22- Contingent liabilities

The Group had contingent liabilities consists of letters of guarantee with an amount of KD 4,037,192 as of December 31, 2019 (2018: KD 1,154,182).

23- Shareholders' General Assembly

The Ordinary Shareholders General Assembly had been held on May 6, 2019 and approved the consolidated financial statements for the financial year ended December 31, 2018 and approved the board of directors' proposal to not distribute remunerations for members of the board of directors for the financial year ended December 31, 2018.

24- Proposed dividends

On March 30, 2020 the Board of Director's proposed not to distribute dividends or remuneration for the members of the Board of Directors for the year ended December 31, 2019.

The proposal is subject to the approval of Shareholders' General Assembly.

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25- Segment distribution

The Group practices its activities through two main segments:

- Investment segment: represents in investments on the financial sector.
- General trade and contracting segment: represents in providing services for others.

And the following is an analysis of information by segment results for the year ended December 31:

	2019		
	Investment	**General trade and contracting**	**Total**
Segment's income	**(123,268)**	**5,335,881**	**5,212,613**
Segment's results	**(123,268)**	**698,651**	**575,383**
Segment's assets	**25,790,118**	**8,505,785**	**34,295,903**
Segment's liabilities	**320,089**	**597,781**	**917,870**

	2018		
	Investment	General trade and contracting	Total
Segment's income	(21,314)	6,438,682	6,417,368
Segment's results	(21,314)	958,578	937,264
Segment's assets	25,988,858	7,593,609	33,582,467
Segment's liabilities	320,589	607,044	927,633

	2019	2018
Total segment results	**575,383**	937,264
Other income	**7,927**	2,850
Other expenses	**(207,389)**	(162,209)
Net profit for the year	**375,921**	777,905
Total segment assets	**34,295,903**	33,582,467
Cash and cash equivalents	**12,665**	2,151
Account receivables and other debit balances	**539,100**	187,104
Intangible assets	**3,364,665**	3,364,665
Property and equipments	**17,064**	29,135
Total assets	**38,229,397**	37,165,522

The group practices in main geographic market which is the local market in the state of Kuwait.

26- Financial instruments and risks management

A) Significant accounting policies

Details of the significant accounting policies - including the criteria for measurement and recognition of revenue and expenses - in respect of each class of financial assets and financial liabilities are disclosed in Note (3) to the consolidated financial statements.

Categories of financial instruments

The group's financial assets and financial liabilities have been classified in the consolidated statement of financial position are as follows:

Financial assets	**2019**	2018
Cash and cash equivalents	**39,292**	5,067
Investments at fair value through profit or loss	**77,700**	130,642
Accounts receivable and other debit balances	**7,257,398**	5,559,481
Investments at fair value through other comprehensive income	**1,649,643**	3,100,576
	9,024,033	8,795,766

Financial liabilities	**2019**	2018
Accounts payable and other credit balances	**3,888,858**	2,989,964

Fair value of financial instruments

Fair value of financial instruments is defined as the amounts at which the asset could be exchanged or a liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction other than in forced or liquidation sale. The group used recognized assumptions and methods to estimate the fair value of the financial instruments. The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid market is determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from identifiable current market transactions and dealer quotes for similar financial instruments.
- The fair values of financial instruments carried at amortized cost are not significantly different from their carrying values.

Fair value recognized in the consolidated statement of financial position
The group adopted the amendments to IFRS 7 effective from January 1, 2013. These amendments require the group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position

The following table presents financial assets and financial liabilities measured at fair value in the statement of consolidated financial position in accordance with the fair value hierarchy. This hierarchy group's financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities.

The fair value hierarchy has the following levels:

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

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

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

December 31, 2019	**Level 1**	**Level 3**	**Total**
Assets:			
Investments at fair value through profit or loss			
Quoted securities	**77,700**	-	**77,700**
Investments at fair value through other comprehensive income			
Quoted securities	**418,301**	-	**418,301**
Unquoted securities	-	**1,231,342**	**1,231,342**
	496,001	**1,231,342**	**1,727,343**
Liabilities:	-	-	-
Net fair value	**496,001**	**1,231,342**	**1,727,343**

The fair value of other financial assets and liabilities approximate its carrying amount as of the consolidated financial statements date.
The fair value of these other financial assets and liabilities has been determined according to level 3 by using the deducted cash flows based on an internal study prepared by the management.

December 31, 2018	Level 1	Level 3	Total
Assets:			
Investments at fair value through profit or loss			
Quoted securities	130,642	-	130,642
Investments at fair value through other comprehensive income			
Quoted securities	563,314	-	563,314
Unquoted securities	-	2,537,262	2,537,262
	693,956	2,537,262	3,231,218
Liabilities:	-	-	-
Net fair value	693,956	2,537,262	3,231,218

B) Financial risks management

The group's uses financial instruments exposes it to a variety of financial risks such as credit risks, liquidity risks, and market risks.

The group continuously reviews its risks exposures and takes the necessary procedures to limit these risks to acceptable level.

- **Credit risks**

Credit risks are the risks that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets that expose the Company principally to credit risk are mainly cash and cash equivalents and accounts receivables. Cash and cash equivalents are also deposited with financial institutions with a high credit rating. The balance of accounts receivable is recognized net of provision for ECL.

The Company considers its maximum exposure to credit risk to be as follows:

Financial liabilities:	**2019**	2018
Cash and cash equivalent	**39,292**	5,067
Accounts receivable and other debit balances	**5,622,284**	4,962,873
	5,661,576	4,967,940

Financial assets whose maturity date has expired and its value have not impaired are disclosed in note 7. The maturity date of the other financial assets has not expired.

- **Liquidity risks**
  Liquidity risks are the risks that the group will be unable to meet its cash obligations. The management of liquidity risks consist of keeping sufficient cash, and arranging financing sources through enough facilities, managing highly liquid assets, and monitoring liquidity on a periodically basis by method of future cash flow.

  The maturity of liabilities stated below based on the period from the consolidated financial position date to the contractual maturity date. In the case of financial instruments that do not have a contractual maturity date, the maturity is based on management's estimate of time period in which the asset will be collected or disposed and the liability settlement.

  The maturity analysis of financial liabilities as of December 31, 2019 is as follows:

	During one year	**More than one year**	**Total**
Accounts payable and other credit balances	**3,888,858**	-	**3,888,858**
Provision for end of service indemnity	-	**140,705**	**140,705**
	3,888,858	**140,705**	**4,029,563**

  The maturity analysis of financial liabilities as of December 31, 2018 is as follows:

	During one year	More than one year	Total
Accounts payable and other credit balances	2,989,964	-	2,989,964
Provision for end of service indemnity	-	132,395	132,395
	2,989,964	132,395	3,122,359

- **Market risks**
  Market risks comprises of interest rate risks , foreign currencies risks and equity price risks. These risks arise due to the changes in market prices, interest rates and exchange rates.

  Foreign currencies risks
  Foreign currencies risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

  Interest rate risks
  Interest rate risks are the risks that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates in the market.

  As the group has no significant bearing interest assets therefore group's the income and its operating cash flows are not affected by changes in market rates.

Equity price risks

Equity price risks are the risks that the fair value of equities fluctuates as the result of changes in the levels of equity indices and the value of individual stocks. These risks resulted from changes in the fair value of the investments in stocks.

The group is exposed to equity price risks as the group held investments which were classified at the consolidated financial position date as investments at fair value through statement of profit or loss and investments at fair value through other comprehensive income.

The effect on profit and equity as result of change in fair value of investments at fair value through statement of profit or loss and investments at fair value through other comprehensive income as of December 31, 2019 as a result of expected changes in Kuwait Stock Exchange Market by (±10%) and with all other variables held constant as follows:

	Effect on profit		Effect on equity	
	2019	2018	**2019**	2018
Kuwait Stock Exchange Market	**7,770**	13,064	**41,830**	56,331

The group manages these risks through diversifying its investment portfolio. Diversification of the portfolio is done in accordance with the limits set by the group.

27- Capital risks management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders and other stockholder through the optimization of the debt and equity balance.