GATEHOUSE
CAPITAL

Annual Report 2019

GATEHOUSE CAPITAL - ECONOMIC & FINANCIAL CONSULTANCY K.S.C (CLOSED) AND SUBSIDIARIES

بسم الله الرحمن الرحيم

Annual Report 2019

Established on July 13th, 2008

(Previously established on April 2nd, 2002 as a company with limited liability)

Paid up Capital KD 10,000,000

Divided into 100,000,000 share

Par value 100 Fils / share

GATEHOUSE CAPITAL

Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) and Subsidiaries, Kuwait

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 December 2019

Annual Report 2019

H.H. Sheikh
Sabah Al Ahmed Al Jaber Al Sabah
The Amir of the State of Kuwait

H.H. Sheikh
Nawaf Al Ahmed Al Jaber Al Sabah
The Crown Prince

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BOARD OF DIRECTORS

Fahed Faisal Boodai
Chairman

Abdulaziz Saud Al Bader
Vice Chairman

Mohamad Tawfik Al Tahawy
Board Member

Charles Haresnape
Board Member

Abdulla Ibrahim Alghanim
Board Member

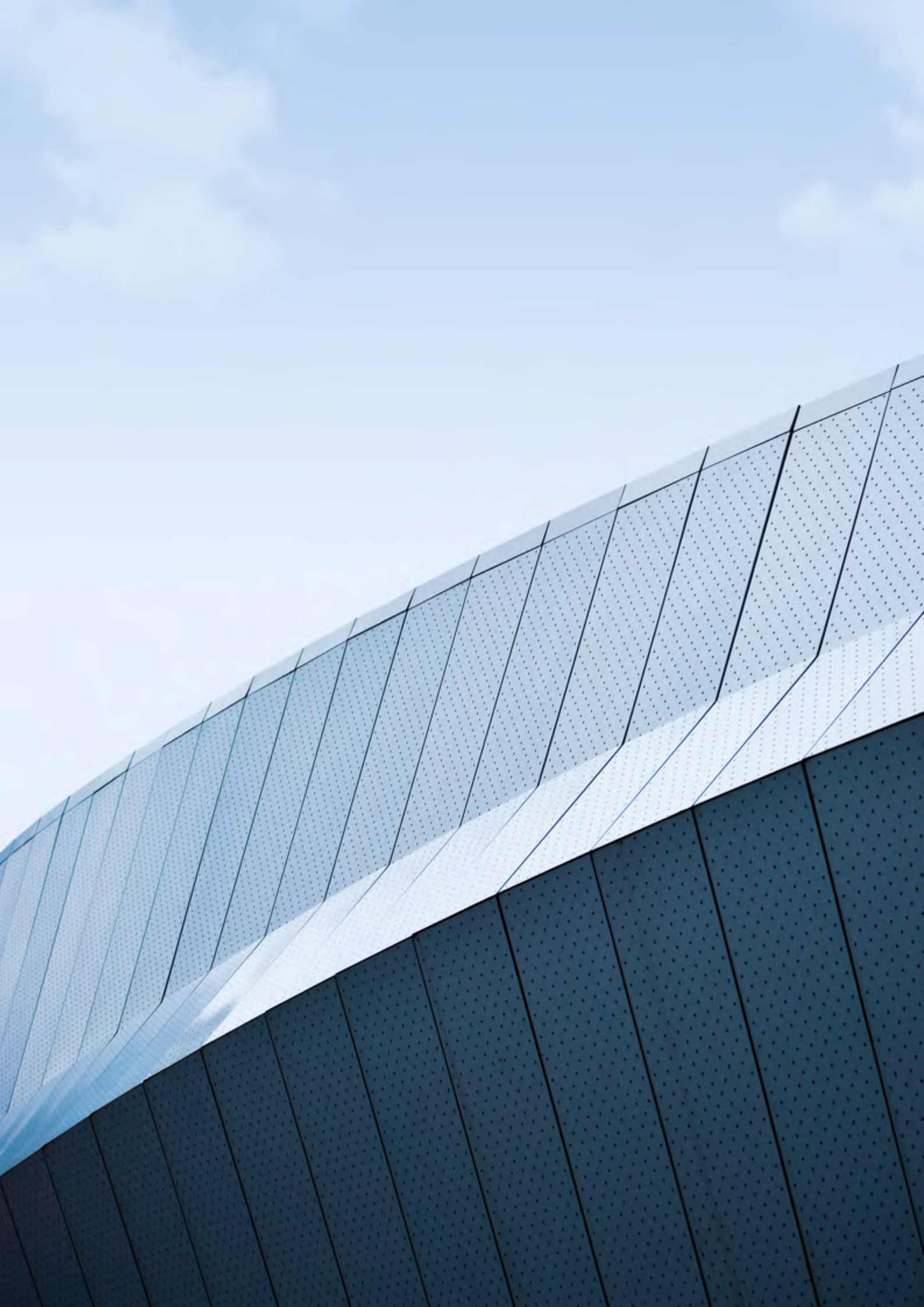
SUBSIDIARY COMPANIES

GSH USA

Global Securities House - USA

ASSOCIATE COMPANY

Weaver Point Company - USA



BOARD OF DIRECTORS' REPORT

For the year ended 31 December 2019

In the name of Allah, the Most Gracious, the Most Merciful,

Dear Shareholders,

On behalf of my colleagues, members of the Board of Directors, it gives me great pleasure to present to you the annual report of the year ending on the 31st of December 2019. This year was marked by innovation, adaptation and change for Gatehouse Capital ("GC") amid a shifting market and competitive forces.

GC reported a net income of KD 1,120,875 for the fiscal year ended on 31 December 2019, which was marginally lower than the anticipated profitability, mainly due to the postponing of two main acquisitions to the first quarter of 2020 instead of completing them as scheduled for the last quarter of 2019.

In the first quarter of the year, the Board of Directors formalized the appointment of the new Executive Team, consisting of Mr. Khaled Al-Baijan as CEO and Ms. Aysha Al Mudhaf as COO. The new management leveraged their experience to boost and improve the business while maximizing throughout 2019 on the Company's strength of providing shariah compliant, leveraged real estate products to institutional and high net worth clients in the State of Kuwait and the wider GCC market.

Moreover, and in order to continue to maintain the high standards that GC has continually set; the Executive Team worked to enhance the efficiency of the company's performance. The Executive Team oversaw selective recruitment of staff across various key areas of the business, intensive training of employees to update their knowledge and develop critical skills important to the business and major IT infrastructure upgrading. The information technology upgrade aimed at digitizing the workflows and streamline processes across various departments, allowing the professional staff to work efficiently and remotely, if needed, through implementing the latest cloud-based technology.

In the United Kingdom, Gatehouse Bank continues to be the pioneer for investment products in the UK Private Rented Sector (PRS) space and continues to develop innovative products for its clients. Hence, in the first quarter of the year, the Thistle Portfolio was refinanced for four additional years on favorable terms for existing and new clients.

The second quarter of the year also saw the acquisition of The Mint, a Grade A office building in Leeds. The Mint benefits from a long-term lease to a robust, versatile long-standing covenant in the Dart Group, but also is expected to benefit from the redevelopment of the local area, which may serve to improve prime office rental levels and capital values.

In the United States market, GC was able to bolster USIPA II's acquisition platform with the acquisition of one of the largest hardware distributors in the US on a long-term lease. Moreover, GC was able to leverage its strong relationship with its operating partners to secure two off-market property transactions leased to BlueLinx; the transactions formed the seed properties for USIPA III, a new aggregation platform in partnership with Brennan Investment Group ("BIG"), continuing the formidable partnership that has endured for over seven years.

The third quarter of 2019 also saw the sale of the final home in the Project LA Portfolio, which was held for just over four years. The LA market saw oversupply over the investment period, which resulted in a market favoring buyers.

GC continues to pioneer unique and innovative products for its clients through exclusive joint ventures with reputable partners. Owing to the company's long robust track record, in the fourth quarter, GC entered into a partnership with VEREIT, one of the largest single tenant public REITs in the United States. VEREIT is an owner and operator with a net asset value of over $15 billion and a portfolio of about 3,900 properties across 49 states. The exclusive joint venture resulted in a unique offering named Office Aggregation Platform ("OAP") which provides diversified office exposure and economies of scale to the office sector.

In conclusion, Gatehouse Capital and its operating partners will continue its strategy to sourcing high quality investment transactions that cater to the demands of its client base while maintaining an agile and innovative approach in facing any upcoming challenges.

Finally, I would like to express my thanks and appreciation to our professional team for their efforts in implementing these strategic objectives, and to the members of the Board and our shareholders for their continued support.

Fahed Faisal Boodai

Chairman

To the Shareholders of Gatehouse Capital K.S.C.C.

CORPORATE GOVERNANCE REPORT

For the Year Ended 31 December 2019

Gatehouse Capital K.S.C.C. believes in the importance and necessary implementation of the rules of corporate governance that are in line with the interests of the Company and its shareholders. The Company also believes that compliance with the rules of corporate governance maintains the Company's and the shareholders' funds, as these rules ensure proper standards of transparency and proficiency, reinforcing the shareholders' trust in the board of directors which in turn drives productivity.

In accordance with the instructions and decisions issued by the Capital Markets Authority (CMA), in particular those stated under Article 3.7 of Module 15 "Corporate Governance" of the Executive Regulations of the Law No. 7/2010 regarding the Establishment of the Capital Markets Authority and Regulation of Securities Activity and the amendments thereto. Enumerated below the actions taken during 2019 to fulfill all the regulatory requirements and adopt the corporate governance policies in line with the relevant CMA instructions:

Rule (1): Balanced Structure of the Board

1. Criteria of Board Membership

The Board of Directors (BoD) of Gatehouse Capital comprises of 5 members. BoD formation considers, inter alia, qualifications, diversified experience and professionalism. In addition, all BoD members are non-executive directors and will carry out their duties till the end of their board membership on 22 October 2021. BoD includes one independent director reflecting a balanced structure that enables BoD discharge its duties and responsibilities by laying down the Company's strategy and policies, setting its targets and overseeing the performance of the executive management. The following table sets out the names of qualifications of BoD:

	Name	Designation	Qualification & Experience	Election/ Appointment Date
1.	**Fahed F. Boodai**	Chairman/Non-executive	MBA, 22 year experience in finance and management	27 December 2015
2.	**Abdulaziz S. Al-Bader**	Vice Chairman/Non-executive	MBA, 39 year experience in finance and management	14 March 2017
3.	**Mohamad T. Al-Tahawy**	BoD Member/Non-executive	MBA, 29 year experience in finance and management	27 December 2015
4.	**Charles Haresnape**	BoD Member/Non-executive	Bachelor of Law, 41 year experience in finance and management	23 October 2018
5.	**Abdullah I. Al-Ghanim**	BoD Member/Independent	Bachelor of Sciences, 9 year experience in finance and management	23 October 2018

2. Board Meetings

BoD meetings are regularly held based on an invitation by the Chairman. For the purpose of BoD meetings, each BoD member is provided with the meeting agenda along with the related information and data at least three working days prior to the scheduled date of meeting. BoD approves its agenda in the meeting that shall not be valid unless it is attended by half of its members, provided that the number of attendees should be at least three members. Decisions are passed only by absolute majority. The Company's Memorandum and Articles of Association govern BoD meetings and attendance thereof and handling the irregular attendance of BoD meetings. During the year ended 31 December 2019, BoD held 10 meetings as tabulated below:

Name of Board Member	Meeting (1) held on 12.02	Meeting (2) held on 25.03	Meeting (3) held on 27.03	Meeting (4) held on 23.04	Meeting (5) held on 15.05	Meeting (6) held on 27.06	Meeting (7) held on 08.08	Meeting (8) held on 30.09	Meeting (9) held on 11.11	Meeting (10) held on 25.11	No. of Meetings
(1) Fahed F. Boodai	√	√	√	-	√	√	√	√	√	-	8
(2) Abdulaziz S. Al-Bader	√	√	√	√	√	√	√	√	√	√	10
(3) Mohamad T. Al-Tahawy	√	√	√	√	√	√	√	√	√	√	10
(4) Charles Haresnape	-	√	√	√	√	√	√	√	√	√	9
(5) Abdullah I. Al-Ghanim (independent)	-	√	√	√	√	√	√	√	√	-	8

3. Recording, handling and filing BoD meetings' minutes

The BoD Secretary, who is a company employee, records and maintains all minutes of the board meetings and the reports to be submitted by/to BoD. The BoD Secretary is also responsible for coordinating with the BoD members and communicate the meeting dates three days prior to the scheduled date.

The Company's management maintains a record of all minutes of BoD meetings in order of the years of the meetings. Such record also includes the place, date and start/end time of BoD meetings, the present and absent BoD members, the invited persons and the minutes of the discussions setting out the voting process. Such records are properly saved for easy reference.

Rule (2): Assignment of Roles & Responsibilities

The Company's Articles of Association define the roles and responsibilities assigned to BoD. In addition, the BoD Charter defines the BoD roles including the task of overseeing the performance of executive management and ensuring compliance with the BoD approved business strategy and plans. The Executive Committee Charter and the relevant policies and procedures approved by BoD assign certain tasks and responsibilities to the executive management. Moreover, the approved Authority Matrix sets out all powers and authorities delegated to the executive management and those assigned solely to BoD. Work is in progress to update the Company's adopted policies and procedures manuals.

1. Board of Directors:

BoD is responsible for laying down a company-wide strategy and the key business plans. The other tasks of BoD include:

1. Setting the company-wide targets and strategy, and overseeing the company-wide performance.
2. Approving the annual budgets and monitoring any deviation.
3. Laying down the Company's policies and bylaws and ensuring that these policies are clear and transparent for decision making purposes, and are in line with the principles of corporate governance approved by BoD.
4. Approving the interim reviewed and the annual audited financial statements.
5. Forming BoD committees (audit, risk management and remuneration & nomination) and approving the charters that govern their work.
6. Overseeing performance of BoD members and the executive management as per the approved performance indicators.

Major Highlights & Achievements in 2019:

1. Set out a plan and strategy to develop the current and future business, and, to study various investment projects and opportunities and entered into some of them.
2. Discussed and approved the consolidated financial statements for the year ended 31 December 2018.
3. Discussed and approved the business plan of Compliance Unit for the year 2019.
4. Discussed and approved the corporate governance report for the year ended 31 December 2018.
5. Discussed and approved the recommendations of Remuneration & Nomination Committee, Audit Committee and Risk Management Committee.
6. Approved Audit Committee's recommendation regarding the appointment of the external auditors for 2019.
7. Approved the quarterly financial statements and budget for 2019.
8. Approved the updating of Company's policies and procedures in line with CMA instructions.
9. Approved AML/CFT Risk Evaluation Report for the year ended 31 December 2018 issued by Compliance Unit.
10. Discussed and approved the quarterly Compliance reports.
11. Approved distribution of dividends for the year ended 31 December 2018.
12. Discussed the draft strategic plan for 2020.

2. BoD Committees:

In order for BoD to fulfill the corporate governance rules in an efficient and effective manner, BoD formed three subcommittees namely Audit Committee, Risk Management Committee and Nomination & Remuneration Committee.

Duties and responsibilities as well as the authorities of each committee are assigned by BoD and documented in the form of a chart for each committee. Formation of each committee includes BoD non-executive members, who have the relevant expertise. These committees are:

- Audit Committee,
- Risk Management Committee, and
- Nomination & Remuneration Committee.

Audit Committee (AC):

Board Audit Committee ("AC") promotes the compliance culture within the Company and ensure the integrity of the financial reporting, adequacy and efficiency of the internal control systems. AC is supervised by, and reports to, the Board of Directors, and submits its recommendations to the Board in terms of its tasks and findings.

The major achievements and decisions of AC in 2019 are:

1. Discussed and approved the financial statements for the year ended 31 December 2018.
2. Approved the appointment of the external auditors for 2019.
3. Approved the external auditors' report on the financial statements for the year ended 31 December 2018.
4. Approved the internal audit plan for 2019.
5. Approved the Internal Control System Review Report for the year ended 31 December 2018.
6. Approved the external auditors' report on AML/CFT.
7. Discussed the interim financial statement for 2019.
8. Approved the quarterly questionnaire on the policies and procedures adopted by the third parties providing Know-Your-Customer (KYC) services related to AML/CFT.
9. Discussed the quarterly internal audit reports for 2019.

AC Members:

Sr.	Name	Title	Presence
1.	Mohamed Tawfik Al Tahawy	Chairman	4
2.	Abdullah I. Al-Ghanim	Member (independent)	4
3.	Charles Haresnape	Member	3

AC Secretary: Khaled J. Sawan

AC Formation Date	Duration	No of Meetings
23 October 2018	3 years	4

Risk Management Committee (RMC):

Risk Management Committee ("RMC"") identifies, measures, monitor and minimizes the risks to which the Company exposes, submits the sound recommendations to BoD, approves Risk Appetite and ensures that the Company does not exceed such limits of risks after approval thereof by BoD.

The major achievements and decisions of RMC in 2019 are:

1. Discussed a comparative analysis of investment situations against the approved Risk Appetite.
2. Discussed and approved the periodic risk reports.
3. Recommended the important follow up on foreign exchange risks (changes in exchange rates).
4. Recommended development of a plan to ensure that the Company's investments are in line with its Risk Appetite.
5. Recommended update of the Risk Appetite by the executive management in 2019.

AC Members:

Sr.	Name	Title	Presence
1.	Mohamed Tawfik Al Tahawy	Chairman	4
2.	Abdullah I. Al-Ghanim	Member (independent)	4
3.	Charles Haresnape	Member	3

AC Secretary: Feras N. Al-Ayoubi

AC Formation Date	Duration	No of Meetings
23 October 2018	3 years	4

Nomination & Remuneration Committee (NRC):

Board Nomination & Remuneration Committee ("NRC") is concerned with nomination of the members of the Board of Directors ("BoD" or the "Board") and its committees and executive management. Such nomination is preliminarily based on the professional experience, technical abilities and the good morals and ethics to ensure that nomination serves the best interests of the Company and its shareholders.

In addition, the Committee lays down the policies and bylaws that govern payment of compensations and benefits for all the job levels in the Company including Chairman, Board members and the executive management in line with the Company's long- and short-term strategy and objectives, in order to attract the highly qualified and competent persons and motivate all staff to achieve the Company's objectives.

The major achievements and decisions of RMC in 2019 are:

1. Approved 2019 HR Report.
2. Approved the remuneration policy as of 2019.
3. Approved the monthly salaries of CEO and COO in addition to the staff bonus for 2019.
4. Approved the annual promotions and increments.
5. Discussed and approved directors' and executive management's remuneration for 2018.
6. Approved the Chairman's bonus for his performance and based on the results of the year ended 31 December 2018, and his remuneration plan from 2019.

AC Members:

Sr.	Name	Title	Presence
1.	Abdulaziz S. Al-Bader	Chairman	2
2.	Fahed F. Boodai	Member	1
3.	Abdullah I. Al-Ghanim	Member (independent)	2

AC Secretary: Ohood Abu Ebeid

AC Formation Date	Duration	No of Meetings
23 October 2018	3 years	2

3. Mechanism applied for BoD members to obtain accurate information on a timely basis

The board secretary provides BoD with the adequate information related to the agenda of the BoD meeting at least three days before the meeting (unless there is an urgent meeting that requires inviting BoD members within a shorter period) to enable them take the right decisions. In addition, the board secretary ensures the timely submission of the reports related to the work of the board, points of the agenda and meeting minutes.

The executive management provides BoD members with several reports and data to keep BoD updated of all the Company's activities and running of its business. Furthermore, BoD and executive management committees provide BoD with the necessary reports on a timely basis. BoD and its committees are provided with all information and data that enable them make sound and timely decisions based on sufficient and accurate information.

Rule (3): Selection of Competent Candidates for BoD and Executive Management

1. Fulfillment of NRC Formation Requirements

NRC is comprised of 3 members including the independent member and presided by a non-executive BoD member. Period of membership and processes are approved by BoD. The Committee meets at least once every year or whenever necessary.

NRC had approved a clear policy that covers remuneration of BoD Chairman and members and the various tranches of fixed and performance related remuneration. The Committee's tasks include proposing nomination and re-nomination of the members taking into consideration that nominees must fulfill CMA requirements.

2. BoD and Executive Management Remuneration Report

Gatehouse Capital adopts a simple and appropriate staff remuneration policy that include a profit-sharing scheme for staff, especially the high performing employees in appreciation of their contribution and to foster their dedication and commitment to achieve a targeted minimum profit. This policy aims to increase confidence of the shareholders by ensuring that the minimum profit target shall be realized even before the profit-sharing portion is allotted to staff.

Staff Remuneration

The gross pool of remuneration is proposed at 7%-10% of net profit before calculation. Such ratio is adjusted for the profit rate to the net profit target before remuneration calculation, as shown in the table of remuneration and benefits paid to BoD members and the executive management.

By end of each financial year, and concurrently with approval of the draft financial statements, performance of each employee is assessed against the achievement of the targets preset for each employee at the beginning of the year in addition to his/her personal skills throughout the year.

It is worth mentioning that bonus could be paid to certain employees if they have achieved the target performance such as a percent of the placement fee or the incentive fee collected by the Company even if the Company's minimum target profit is not achieved, subject to approval of NRC and BoD approval for CEO and executive management, and CEO approval for the other employees.

BoD Remuneration

A fixed amount of annual remuneration is recommended for payment to BoD subject to approval of the Company's financial statements by the general assembly and in conformity with the regulatory and legal requirements. The amount of remuneration is based on certain criteria like number of committees in which BoD director is a member beside his/her BoD membership, number of committee meetings attended by the concerned director and annual appraisal of BoD in terms of the technical skills and personal characteristics relating to the Company's activities.

The following table sets out the remunerations, benefits and compensation paid to BoD and executive management for the financial year ended 31 December 2019:

Title		Remuneration, salaries, bonus and the other financial benefits (through the parent company and its subsidiaries)	Total remuneration, salaries, bonus and the other financial benefits KD
BoD Members			
1.	**Chairman**	Variable benefits (annual bonus and committee allowance)	34,666
2.	**Vice Chairman**	Variable benefits (annual bonus and committee allowance)	5,000
3.	**BoD Members**	Variable benefits (annual bonus and committee allowance)	15,000
Executive Management			
4.	**CEO**	Fixed remuneration and benefits (salary, medical insurance) and Variable remuneration (annual bonus)	149,045
5.	**COO**	Fixed remuneration and benefits (salary, medical insurance) and Variable remuneration (annual bonus)	95,624
6.	**Financial Manager**	Fixed remuneration and benefits (salary, medical insurance) and Variable remuneration (annual bonus)	40,918

No deviation from the approved remuneration policy has been identified during the year.

Rule (4): Integrity of Financial Reporting

1. Written Undertakings by BoD and Executive Management for Soundness and Integrity of the Financial Reports

The executive management represented in Chief Operating Officer and the Financial Controller undertake in writing to BoD that the Company's reports are presented in fair and sound manner and prepared in accordance with the international accounting standards approved by CMA.

Within the same context, the Chairman declares and undertakes the accuracy, integrity and soundness of the financial statements furnished to the external auditors, and that the Company's financial reports are presented in a sound and fair manner in accordance with the International Financial Reporting Standards (IFRSs) applicable to the State of Kuwait and approved by CMA and that it represents the Company's financial positions as at 31 December 2019, based on the information and reports provided by the executive management and the external auditor and the due care exercised, to ensure the soundness and accuracy of these reports.

2. Fulfillment of Audit Committee Formation Requirements

AC is formed in line with the nature of the Company's business and include experienced members. AC is comprised of 3 non-executive members including an independent director. The Chairman should be a member in this committee that should also include a highly qualified members having experience in accounting and finance. Period of the membership and processes are approved by BoD. AC meets at least once every three months or whenever necessary.

In addition, AC promotes the culture of compliance inside the Company by ensuring the soundness and integrity of the Company's financial reporting, and adequacy and efficiency of the internal control systems. The Committee reports to BoD in terms of its duties and findings.

3. Independence and Objectivity of the External Auditor

The Company's ordinary general assembly appoints the external auditor based on a recommendation of AC after verifying that the he/she is enrolled in the CMA register and fulfills all the requirements stated under the CMA's decision regarding registration of auditors.

It is also ensured that the external auditors are independent of the Company and its BoD, and he/she is not engaged in any other tasks for the Company outside the scope of review and audit in a manner that may affect his/her independency.

Rule (5): Sound Risk Management and Internal Control Systems

1. Fulfillment of Risk Management Department Formation Requirements

An independent unit for risk management was formed with its members directly reporting to the Risk Management Committee, and having the necessary authorities that enable them to carry out their duties with the exclusion of any financial authorisations..

2. Fulfillment of Risk Management Committee Composition Requirements

RMC is comprised of three members and chaired by a non-executive director with the consideration that the Chairman is not a member in this committee for more authorities and independency. Period of membership is stated under the committee charter. The committee submits its reports directly to BoD that approves its processes. RMC meets at least once every three months or whenever necessary.

3. Internal Control Systems

The internal control systems are designed to cover all the Company's activities and ensure efficiency and effectiveness of operations. The internal control systems also ensure the dual control by assigning responsibilities and authorities through the approved Authority Matrix and operating policies and procedures that set out all levels of powers and authorities. In addition, the Company ensures segregation of duties, monitoring of all transactions that imply conflict of interest and full disclosure of such translations. The Company also adopts the Dual Control principle to all its operations and activities.

In addition, the Company conducts its internal control system review through an approved independent office to ensure adequacy of internal control systems. An annual report is produced a copy of which is provided to CMA.

4. Fulfillment of Independent Internal Audit Unit Formation Requirements

Internal Audit Unit is established to assess the efficiency and effectiveness of applied internal control systems. The Unit is independent and directly reporting to AC and BoD. Internal Audit Officer is hired by virtue of a decision by BoD and CMA approval.

Rule (6): Promoting Professional Conduct and Ethics

1. Standards of Professional Conduct and Ethics

The Company developed a code of conduct for BoD members, internal bylaws for staff across all departments and administrative levels and other guidelines ensuring compliance with the laws that govern the Company's operations. It is expected that BoD will issue the sound decisions in all matters to protect the interests of clients, staff and the other stakeholders and maintain a sound environment based on efficient cooperation. In carrying out their duties, BoD, executive management and staff comply with the code of conduct that requires, inter alia, honesty, integrity and dedication.

Code of Conduct & Ethics sets out the standard acts of every manager, officer or employee with the Company's stakeholders and the public. Such Code aims to ensure that the Company is viewed to others as an institution that complies with high standards of integrity in all its transactions. However, such Code does not address all situations and should not be considered as an alternative of practicing the good judgment and behaviors by the Company's employee.

2. Policies and Controls to Minimize the Conflict of Interest

A Conflict of Interest Policy has been approved to ensure maintenance of the highest level of transparency in reporting the Company's operations. Conflict of interest must be avoided among the employees/directors and their direct family members (i.e. spouse, sons/daughters, parents and siblings) and the Company in all their own transactions.

The aforesaid policy states that BoD should take all the reasonable procedures to detect, avoid or deal with the conflict of interest between BoD/employee, any of their relative/subsidiaries and their customers, employees and agents, or misuse the confidential information of those customers:

BoD should always act in a manner that serves solely the Company's interests. They should set aside their personal interest and discharge their responsibilities for managing the Company in a manner that enhance the public's trust in BoD's integrity and impartiality. Any BoD member may not obtain any gain, directly or indirectly, from his position in such capacity.

A BoD director may not, without approval of the Company's general assembly (provided such approval should be renewed on an annual basis), have a direct or indirect interest in the business or contracts concluded for the Company, except for the business concluded through a public tender if such director submits the best bid.

A director shall notify BoD of his/her personal interests in the business and contract concluded for the Company and record such notification in the meeting's minutes. A director having such an interest may not vote on any decision to be passed in this respect. In addition, BoD Chairman should inform the Company's general assembly of the business and contracts to which he is a party. Such notification should be accompanied with a special report prepared by the Company's auditors.

Rule (7): Accurate and Timely Disclosure & Transparency

1. Accurate and Transparent Presentation & Disclosure

The management of Gatehouse Capital is keen to adopt and follow the highest standards of disclosure and transparency in order to ensure the equal and unbiased treatment of all the existing and potential shareholders and stakeholders. The adopted mechanisms of presentation and disclosures approved by BoD consider accuracy and transparency in presenting the financial and non-financial information and data. Furthermore, the Company's management reviews the mechanisms and systems of disclosure and transparency on a regular basis to ensure adoption thereof in line with the best international practices.

A register of BoD and executive management disclosures was prepared with the board secretary. A circular was sent to all members of BoD and executive management requesting them to inform the board secretary of any conflict of interest between their direct family members and the Company or the subsidiaries or the companies in which the Company is involved. A declaration is undertaken to this effect and obtained from the members of BoD and executive management.

2. Investor Relations Unit

The Company's management established an Investor Relations Unit that reports to BoD Deputy Chairman and CEO to ensure its independence. The Unit is responsible for providing all information and data to the existing shareholders and investors through the generally accepted means of disclosure including the Company's Website.

3. Development of IT Infrastructure

The Company's management pays special attention to development of IT infrastructure. The key noticeable developments include launching the website that has a separate section of corporate governance along with the interim reviewed and annual audited financial statements, disclosures of the Company-related material information and events and the other data and information that assist the shareholders, potential investors and stakeholders to exercise their rights and evaluate the Company's performance.

Rule (8): Respecting Shareholders' Rights

1. Defining and Protecting the Shareholders' Rights

The Shareholders & Investors Relations Policy approved by BoD provides for all rights of the Company's shareholders and the equal and unbiased treatment of all shareholders holding the same class of shares. The aforesaid rights include the following:

1. Dealing of the shares, e.g. registration, transfer, etc.
2. Taking part in making the decisions for amendment of the Company's Memorandum and Articles of Association and the other extraordinary decisions that may affect the Company's future/business such as merge, sale of significant portion of assets or dissolution of a subsidiary.
3. Monitoring the Company's performance in general and BoD performance in particular.
4. Obtaining accurate, comprehensive and sufficient information in a timely manner including the operating and investing strategies in order to evaluate the financial statements of the Company and its performance.
5. Charging BoD and executive management members with the responsibilities if they failed in carrying out their duties.
6. Receiving the dividends and voting in the general assembly's meetings.
7. Receiving a portion of the Company's assets in case of liquidation thereof.
8. Electing BoD.

2. Maintaining a Special Record with Clearing Agency under the Requirements of the Continuous Follow up of Shareholders related Information

The Company entered into a contract with a clearing agency approved by CMA, Kuwait Clearing Company, to maintain the shareholders' register that includes names and nationalities of the shareholders and the number of shares owned by each shareholder. The aforesaid register is updated with any change made thereto. The Company's shareholders have access to that register, which is always treated as strictly confidential.

3. Encouraging Shareholders to Take Part and Vote in the General Assembly Meeting

The Company makes available all the data and information relating to the agenda within sufficient time before the meeting date, and gives access for all the shareholders to these data and information to enable them take part in the meetings. The Chairman or the external auditor replies to all questions and inquiries raised by the shareholders with respect to the Company's financial position, results, operating activities or future plans.

Furthermore, the Company ensures that all shareholders have the chance to vote, in person or by proxy, on the decisions passed in the general meeting and for electing BoD members. Attendance of the general assembly meeting is free of charge, and no preference is granted to any shareholder over the others.

Rule (9): Recognizing the Role of the Stakeholders

1. Systems and Policies that Ensure Protection and Recognition of Stakeholders' Rights

The Company has developed systems and policies that ensure protection of the stakeholders' rights, as the key factor of the Company's success in achieving its goals is the mutual efforts of all parties including customers, suppliers, employees, investors and the other parties that have business relations with the Company.

2. Encourage Stakeholders' to Participate and Follow up on Company's Business Activities

The Company's management encourages stakeholders to take part and participate in following Company's business activities, through a systematic policy that puts a great emphasis on transparency, and dealing fairly with all stakeholders, and by establishing a culture among employees to create a link between staff performance and achieving Company's strategic goals, leading to inspire Company's employees to participate in a continued and effective manner in follow up on Company's business activities.

Rule (10): Enhancing Performance

1. Fulfillment of Trainings for BoD and Executive Management Requirements

Gatehouse Capital pays special attention to the continued trainings and qualification of each BoD and executive management member due to its belief that such continued trainings contribute to the achievement of the Company's goals and ensure that each BoD and executive management member carries out his/her assigned task and responsibilities in a timely and efficient manner. Such programs and courses consider the training needs and requirements of BoD or executive management member.

2. Evaluation of BoD and Executive Management Performance

The Company developed Key Performance Indicators "KPIs" to measure the BoD performance, as a whole, and contribution of each director. In addition, the Company developed KPIs for each board committee and every executive management member. Accordingly, performance appraisals are conducted against these KPIs and the preset objectives in order to measure any variations and address/resolve the same which ensures the good performance by BoD and executive management members and, hence, achieve the Company's targets.

3. BoD Efforts to Promote and Enhance Organizational Values

The Company strives to promote the organizational values by setting the mechanisms and procedures that help achieve its strategic goals and enhance performance. In addition, the Company continually develops the in-house integral reporting system to become more comprehensive and, accordingly, assist BoD and executive management members to take the sound decisions.

Rule (11): Focusing on Social Responsibility

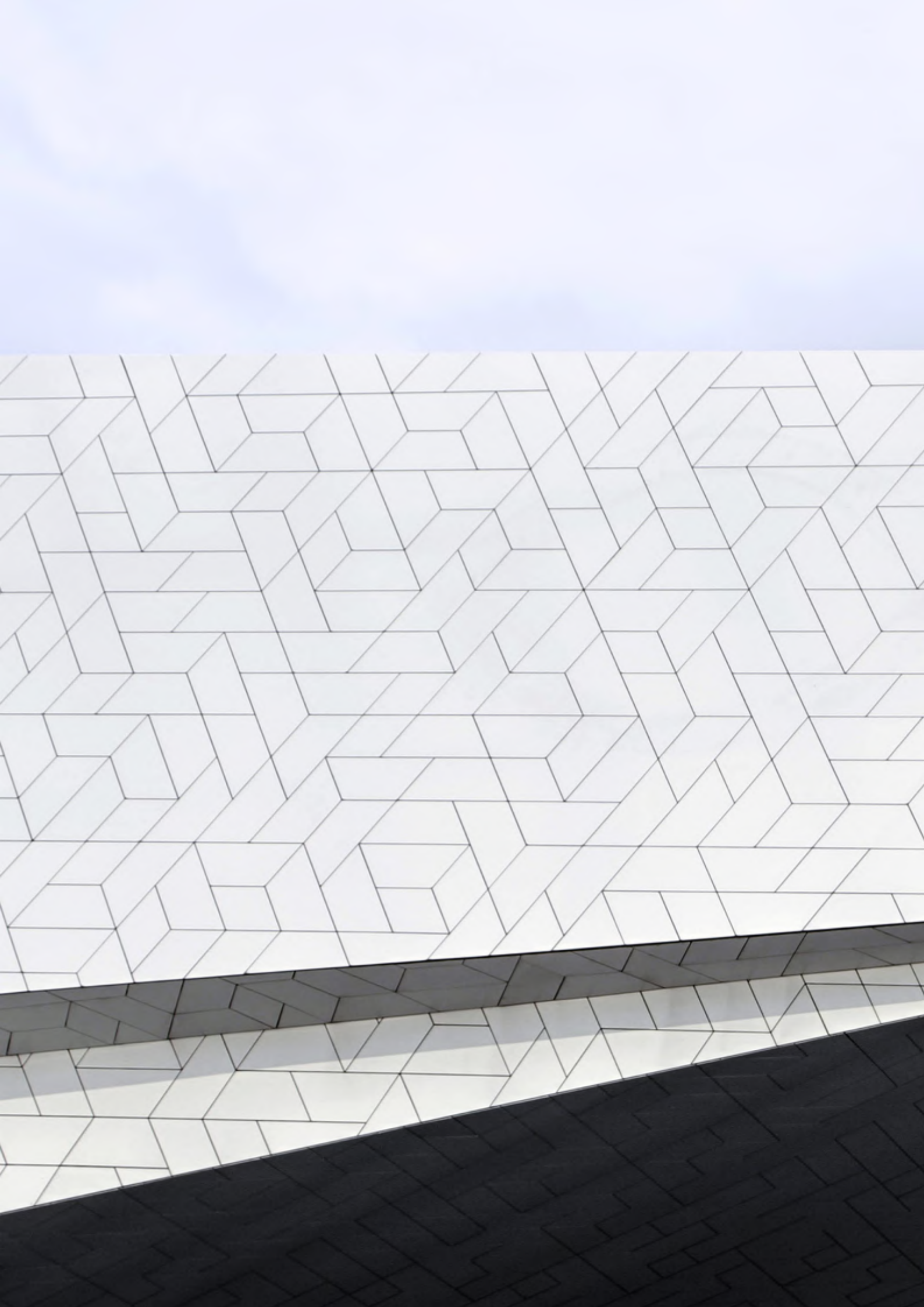
A Social Responsibility Policy has been developed to balance the Company's goals with that of the community, and ensure the Company's contribution to the community is in line with the belief of the Company's management that such responsibility is a key factor to its success.

To this end, the Company took some initiatives to highlight efforts in social responsibility such as attracting the national manpower, and providing necessary trainings to help the national manpower adapt to the business environment and contribute to the development and prosperity of Kuwait.

In addition, the Company commissioned local designers to create and produce the gifts of the Holy Month of Ramadan for its customers as part of its social responsibility and support of the national young talents.

Fahed Faisal Boodai

Chairman



GATEHOUSE
CAPITAL

2019
FINANCIAL STATEMENTS

Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) and Subsidiaries, Kuwait

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 December 2019

Deloitte.

Deloitte & Touche
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INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Gatehouse Capital – Economic and Financial Consultancy K.S.C (closed)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) (the "Parent Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

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

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT
To The Shareholders of Gatehouse Capital – Economic and Financial Consultancy K.S.C (closed)
(Continued)

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016, and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its consolidated financial position except for the matter discussed in note 6 regarding investment properties. The Parent Company's objects do not include this activity.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations during the year ended 31 December 2019, that might have had a material effect on the business of the Parent Company or on its consolidated financial position.

Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
31 March 2020

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019

	Notes	Kuwaiti Dinars	
		2019	2018
INCOME			
Asset management fees		**1,115,435**	987,747
Consultancy and advisory fees		**637,146**	2,124,931
Placement fees		**191,767**	148,195
Investment income	5	**575,119**	266,930
Share of results of an associate	7	**342,539**	1,061,949
Impairment of investment in an associate	7	**-**	(151,070)
Expected credit loss on financial assets		**84,348**	(424,524)
Other income		**109,308**	34,763
		3,055,662	4,048,921
EXPENSES			
Staff costs		**1,053,198**	1,052,870
General and administrative expenses		**392,180**	478,097
Depreciation		**136,118**	5,060
Murabaha payable costs	13	**259,350**	263,150
Finance costs on lease liabilities	12	**14,504**	-
		1,855,350	1,799,177
PROFIT BEFORE DIRECTORS' REMUNERATION, CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES ("KFAS") AND ZAKAT		**1,200,312**	2,249,744
Directors' remuneration (note 11(c))		**(54,666)**	(25,000)
Contribution to KFAS		**(12,003)**	(22,497)
Zakat		**(12,768)**	(20,240)
PROFIT FOR THE YEAR		**1,120,875**	2,182,007

The attached notes form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	Kuwaiti Dinars	
		2019	2018
Profit for the year		**1,120,875**	2,182,007
Other comprehensive (loss)/income:			
Items that will be reclassified to the consolidated statement of income in subsequent years:			
Foreign currency translation adjustment		**9,688**	42,895
Items that will not be reclassified to the consolidated statement of income:			
Changes in the fair value of investment securities at fair value through other comprehensive income		**(322,536)**	(36,880)
Realized (loss)/gain on sale of investment securities at fair value through other comprehensive income		**(138,684)**	105,888
Other comprehensive (loss)/income for the year		**(451,532)**	111,903
Total comprehensive income for the year		**669,343**	2,293,910

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		Kuwaiti Dinars	
	Notes	**2019**	2018
Non-current assets			
Furniture and equipment		**12,058**	3,221
Right of use assets	4	**187,428**	-
Investment properties	6	**450,241**	817,411
Investment in an associate	7	**3,766,585**	4,495,413
Investment securities at fair value through other comprehensive income	8	**5,670,673**	10,418,376
Investment securities at fair value through profit or loss	9	**1,242,272**	1,201,881
		11,329,257	16,936,302
CURRENT ASSETS			
Murabaha receivable	10	**144,706**	1,122,996
Accounts receivable and prepayments		**606,696**	399,561
Cash and bank balances		**1,347,672**	434,402
		2,099,074	1,956,959
TOTAL ASSETS		**13,428,331**	18,893,261
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**10,000,000**	10,000,000
Statutory reserve	11	**1,284,056**	1,164,025
Fair value reserve		**(284,893)**	(36,880)
Foreign currency translation reserve		**342,282**	332,594
Retained earnings		**1,526,260**	2,738,623
Total equity		**12,867,705**	14,198,362
Non-current liabilities			
Lease liabilities	12	**52,128**	-
Employees' end of service benefits		**127,085**	50,606
Current liabilities			
Murabaha payable	13	**-**	4,128,307
Lease liabilities	12	**135,172**	-
Accounts payable and accruals		**246,241**	515,986
Total liabilities		**560,626**	4,694,899
TOTAL EQUITY AND LIABILITIES		**13,428,331**	18,893,261

Fahed Faisal Boodai
Chairman

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	Kuwaiti Dinars	
		2019	2018
OPERATING ACTIVITIES			
Profit for the year		**1,120,875**	2,182,007
Adjustment for:			
Investment income	5	**(575,119)**	(266,930)
Share of results of an associate	7	**(342,539)**	(1,061,949)
Impairment of investment in an associate	7	**-**	151,070
Depreciation		**136,118**	5,060
Provision for employees' end of service benefits		**85,008**	54,230
Murabaha payable costs		**259,350**	263,150
Expected credit loss		**(84,348)**	-
Finance costs on lease liabilities		**14,504**	-
		613,849	1,326,638
Adjustments for changes in working capital:			
Murabaha receivable		**1,062,638**	(1,047,558)
Accounts receivable and prepayments		**(299,650)**	430,854
Accounts payable and accruals		**(258,432)**	(56,972)
Cash from operating activities		**1,118,405**	652,962
Employees' end of service benefits paid		**(8,529)**	(279,955)
Net cash flows from operating activities		**1,109,876**	373,007
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(12,337)**	(5,036)
Proceeds from sale of investment properties		**323,875**	-
Dividend income received from an associate	7	**1,067,450**	855,906
Purchase of investment securities at fair value through other comprehensive income		**(1,599,365)**	(8,058,231)
Proceeds from sale of investment securities at fair value through other comprehensive income		**5,885,848**	3,223,289
Dividend income received		**670,538**	382,393
Net cash flows from /(used in) investing activities		**6,336,009**	(3,601,679)
FINANCING ACTIVITIES			
Dividends paid		**(2,000,000)**	(2,000,000)
Net proceeds from murabaha payable		**-**	4,128,307
Net repayment of murabaha payable		**(4,128,307)**	-
Repayment of lease liabilities		**(147,250)**	-
Murabaha costs paid		**(259,350)**	(263,150)
Net cash flows (used in)/from financing activities		**(6,534,907)**	1,865,157
Net increase (decrease) in cash and cash equivalents		**910,978**	(1,363,515)
Net foreign exchange differences		**2,292**	13,571
Cash and cash equivalents as at 1 January		**434,402**	1,784,346
Cash and cash equivalents as at 31 December		**1,347,672**	434,402

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Kuwaiti Dinars					
	Share capital	**Statutory reserve**	**Fair value reserve**	**Foreign currency translation reserve**	**Retained earnings**	**Total**
Balance as at 1 January 2018	10,000,000	939,051	-	289,699	2,675,702	13,904,452
Profit for the year	-	-	-	-	2,182,007	2,182,007
Other comprehensive income	-	-	69,008	42,895	-	111,903
Total comprehensive income	-	-	69,008	42,895	2,182,007	2,293,910
Transfer to reserve (note 11(b))	-	224,974	-	-	(224,974)	-
Transfer of realized gain on sale of investments securities at fair value through other comprehensive income to retained earnings	-	-	(105,888)	-	105,888	-
Dividends paid (note 11(d))	-	-	-	-	(2,000,000)	(2,000,000)
As at 31 December 2018	10,000,000	1,164,025	(36,880)	332,594	2,738,623	14,198,362
As at 1 January 2019	**10,000,000**	**1,164,025**	**(36,880)**	**332,594**	**2,738,623**	**14,198,362**
Profit for the year	**-**	**-**	**-**	**-**	**1,120,875**	**1,120,875**
Other comprehensive income	**-**	**-**	**(461,220)**	**9,688**	**-**	**(451,532)**
Total comprehensive income	**-**	**-**	**(461,220)**	**9,688**	**1,120,875**	**669,343**
Transfer to reserve (note 11(b))	**-**	**120,031**	**-**	**-**	**(120,031)**	**-**
Transfer of realized loss on sale of investment securities at fair value through other comprehensive income to retained earnings	**-**	**-**	**213,207**	**-**	**(213,207)**	**-**
Dividends paid (note 11(d))	**-**	**-**	**-**	**-**	**(2,000,000)**	**(2,000,000)**
As at 31 December 2019	**10,000,000**	**1,284,056**	**(284,893)**	**342,282**	**1,526,260**	**12,867,705**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

1. Corporate information and activities

Gatehouse Capital – Economic and Financial Consultancy K.S.C (Closed) (the 'Parent Company') is a closed shareholding company registered in Kuwait on 13 July 2008. The main objectives of the Parent Company are as follows:

- Provide financial, management and economic consultations;
- Conduct financial, management and economic studies and researches;
- Organize specialized conferences, forums and workshops;
- Effect transactions in securities (offer or sell) for the account of the issuer or any of its affiliates, or buying securities from the issuer or its affiliates for the purpose of re-marketing after appropriate regulatory approval;
- Own movables and immovable properties required for carrying out its business within the limit permitted by law;
- Utilize financial surpluses available to the Parent Company for investment in financial portfolios managed by competent companies and authorities.
- Investment portfolio Manager.
- Investment consultant.
- Subscription Agent.

The Parent Company is regulated by the Capital Markets Authority (CMA) as a licensed person.

The Parent Company's registered address is 15 Floor, Al Dhow Tower, Sharq, Khalid Bin Al Waleed Street, P. O. Box 29120, Safat 13150, Kuwait.

The consolidated financial statements of the Parent Company and subsidiaries (collectively the "Group"), for the year ended 31 December 2019 were authorized for issue by the Parent Company's board of directors on 31 March 2020. The annual general assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Parent Company is a subsidiary of Gatehouse Financial Group Limited, United Kingdom (The "Ultimate Parent Company").

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).These consolidated financial statements have been prepared under the historical cost basis except for the measurement at fair value of investment properties, financial assets classified as at fair value through other comprehensive and financial assets classified as at fair value through profit or loss.

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

2.2 Impact of changes in accounting policies due to adoption of new standards

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of IFRS 16 leases from 1 January 2019 as summarised below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2019

Impact of adoption of IFRS 16 Leases

In the current year, the Group applied IFRS 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The accounting policies of this new standard are disclosed in Note 2.13. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

(b) Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments.
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of income and other comprehensive income;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'General and administrative expenses' in consolidated statement of income and other comprehensive income.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

c) Financial impact of initial application of IFRS 16

The lessees incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position on 1 January 2019 is 6%.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The following table shows the operating lease commitments applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the consolidated statement of financial position at the date of initial application.

	Kuwaiti Dinars
	2019
Operating lease commitments as at 31 December 2018	341,620
Discounted using the lessee's incremental borrowing rate of at the date of initial application	320,046

The Group has recognised KD 320,046 of right-of-use assets and KD 320,046 of lease liabilities upon transition to IFRS 16. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Standards issued but not yet effective

Other new standards or amendments to existing standard are not expected to have a material impact on the consolidated financial statements of the Group.

2.3 Business combination

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2.4 Consolidation

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. 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 consolidated statements of financial position and income. 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.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. Intra group losses that indicate an impairment is recognized in the consolidated financial statements.

When the Parent Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.5 Financial instruments

Recognition and de-recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where 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 recognition of a new liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in statement of income as the modification gain or loss within other gains and losses.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the consolidated statement of income or in the consolidated statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchase or sale of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Classification of financial assets and financial liabilities

Classification of financial assets are based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at Fair Value through Profit or Loss. The Group's business model is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

Assessment of whether contractual cash flows are Solely Payments of Principal and Profit (SPPP test)

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' contractual cash flows represent Solely Payments of Principal and Profit (the 'SPPP test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPP assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost (AC)
- Investment securities at FVTPL
- Investment securities at FVOCI

Financial assets carried at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPP on the principal amount outstanding.

Cash and bank balances, accounts receivable and murabaha receivable in the nature of financial assets are classified as financial assets carried at amortised cost.

Investment securities at FVTPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Included in this classification are certain, equities securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

Investment securities at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Equity instruments at FVOCI are subsequently measured at fair value. Gains and losses on these equity instruments are never recycled to consolidated statement of income. Dividends are recognised in consolidated statement of income, when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in consolidated statement of income and other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Impairment of financial assets

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost.

The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

General approach

To measuring ECL under the general approach the assets migrate through a three-stages based on the change in credit quality since initial recognition.

The Group recognizes ECL for cash and bank balances, accounts receivable and murabaha receivable using the general approach.

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Simplified approach

The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

ECL

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Event of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group incorporates forward-looking information based on expected changes in macro- economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All Financial liabilities are classified as measured at amortized cost.Financial liabilities at amortized are initially measured at fair value and subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the consolidated statement of income.

2.6 Fair value measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal or the most advantageous market must be accessible to by the Group.

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and.

Level 3 - inputs are unobservable inputs for the asset or liability.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments, fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost less impairment.

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.7 Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset as follows.

Furniture and fixtures	3 years
Office equipment	3 years
Decorations	5 years
Vehicles	5 years

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases future economic benefits of the related item of furniture and fixtures. All other expenditure is recognized in the consolidated statement of income as the expense is incurred. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.8 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in consolidated statement of income. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Fair values of investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of income.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2.9 Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. 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 (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.10 Investment in an associate

An associate is an entity 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 results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the 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 an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated statement of income.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Groups investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to statement of income on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to statement of income (as a reclassification adjustment) when the associate is disposed of.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to consolidated statement of income the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to statement of income on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

2.11 Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents includes bank balances and cash that are readily convertible to known amounts of cash with original maturities up to three months from the date of acquisition and that are subject to an insignificant risk of change in value.

2.12 Post-employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans to employees at cessation of employment. The defined benefit plan is unfunded and is based on the liability that would arise on involuntary termination of all employees on the reporting date. This basis is considered to be a reliable approximation of the present value of this liability.

2.13 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

- Gain or losses on sale of financial assets are recognised when the risks and rewards are transferred to the buyer.
- Dividend income is recognised when the right to receive payment is established.
- Asset management and Placement fees are recognised over the period of time as the Group satisfies the performance obligation by transferring the promised services to the customer.
- Consultancy and advisory fees is recognised point in time as the Group satisfies the performance obligation by transferring the promised services to the customer.
- Murabaha income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

2.14 Foreign currencies

Foreign currencies transactions are recorded at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities in foreign currencies outstanding at the year-end are translated into Kuwaiti Dinars at rates of exchange ruling at the reporting date. Any resultant gains or losses are taken to the consolidated statement of income.

Translation differences on non-monetary items, such as equities classified as FVOCI are included in the investment fair valuation reserve in equity.

The income and cash flow statements of foreign operations are translated into the Group's reporting currency at average exchange rates for the year and their consolidated 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) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of income as part of the gain or loss on sale.

2.15 Taxation

Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of the profit in accordance with the KFAS Foundation's Board of Directors resolution, which states that the transfer to statutory reserve should be excluded from profit for the year when determining the contribution.

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.

Taxation on overseas subsidiaries

Taxation on overseas subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate. Income tax payable on taxable profit ("current tax") is recognized as an expense in the year in which the profits arise in accordance with the fiscal regulations of the respective countries in which the Group operates.

2.16 Contingencies

Contingent assets are not recognized as an asset until realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

2.17 Significant accounting judgments, estimates and assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized in the consolidated financial statements.

Significant increase in credit risk

As explained in note 2.5, ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or life time ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Structured entities

The Parent Company uses judgement in determining which entities are structured entities. If the voting or similar rights are not the dominant factor in deciding who controls the entity and such voting rights relate to the administrative tasks only and the relevant activities are directed by means of contractual arrangements, the Group identifies such entities as structured entities. After determining whether an entity is a structured entity, the Parent Company determines whether it needs to consolidate this entity based on the consolidation principles of IFRS 10. The management of the Parent Company has determined that it does not have any interest in consolidated structured entities as at the reporting date.

The Parent Company considers itself the sponsor of certain limited liability companies that are Special Purpose Vehicles (SPVs) for the Parent Company's asset management activities. These SPVs are used to raise funds from the Group's clients on the basis of product offering memorandum with eventual objectives of investments in specified asset classes as defined in the offering documents of the SPVs. These SPVs are managed on a fiduciary basis by the Parent Company's asset management teams and as the Parent Company does not control these SPVs as at the reporting date in accordance with the definition of control in IFRS 10, these SPVs are not consolidated into the Group's consolidated financial statements. The Parent Company has not transferred any assets to these SPVs during the year.

The Parent Company's investment in these SPV's are included in investment securities at fair value through other comprehensive income amounting to KD 5,670,673 (2018: KD 10,418,376).

Classification of investments

The Group determines the classification of financial instrument based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial instrument are solely payments of principal and interest on the principal amount outstanding. Refer note 2.5 classification of financial assets for more information.

Impairment of investment in 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 associates at each reporting date based on existence of any objective evidence that the investment in the associate is impaired.

Classification of real estate property

Management decides on acquisition of a real estate whether it should be classified as trading, property held for development or investment property.

The Group classifies property as trading property if it is acquired principally for sale in the ordinary course of business. The Group classifies property as investment property under development if it is acquired with the intention of development. The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same; or
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Impairment of financial assets

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through consolidated statement of income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer note 2.5 impairment of financial assets for more information.

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3. Subsidiaries

Name of Company	Country of incorporation	Percentage of ownership		Principal activities
		2019	2018	
Subsidiaries				
Blue Pillar Advisory Ltd.	Cayman Islands	100%	100%	Investment management services
Dhow Holdings Corporation ("DHC")	Cayman Islands	100%	100%	Investment and real estate activities
CSM Funding Company Ltd.	Cayman Islands	100%	100%	Investment and real estate activities
Held through DHC Global Securities House USA, Inc ("GSH USA")	USA	100%	100%	Investment and real estate activities

4. Right of use assets

	Kuwaiti Dinars
	2019
As at 1 January 2019	**320,046**
Less: Depreciation	**(132,618)**
As at 31 December 2019	**187,428**

The Group leases office space for its operations. Lease contracts are typically made for fixed periods ranging from 1 to 3 years.

5. Investment income

	Kuwaiti Dinars	
	2019	2018
Dividend income	**578,023**	382,393
Unrealized gain (loss) on investment securities at fair value through profit or loss (note 9)	**40,391**	(117,879)
Unrealized gain on investment properties (note 6)	**-**	2,416
Realized loss on sale of investment property	**(43,295)**	-
	575,119	266,930

6. Investment properties

	Kuwaiti Dinars	
	2019	2018
As at 1 January	**817,411**	814,995
Disposals during the year	**(367,170)**	-
Change in fair value (note 5)	**-**	2,416
	450,241	817,411

Investment properties are located at the Sultanate of Oman and are stated at fair value. The fair value of the property is based on external valuation carried out by accredited independent valuator using market comparable approach.

The Parent Company's objects do not include investing in investment properties.

Under market comparison approach, fair value is estimated based on comparable transactions. The market comparison approach is based upon the principal of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter ("sqm").

Description of key inputs to valuation of investment properties:

Valuation technique	*Significant unobservable inputs*	*Range (weighted average)*
Market comparison approach	Price per sqm	KD 8 – 41

The fair value of the investment is determined using the market comparable approach, adjusted for size of plots and location; hence categorized under level 3 of the fair value hierarchy (note 16).

7. Investment in an associate

Details of the associate are shown below.

Name of Company	Country of incorporation	Percentage of ownership		Principal activities
Held through GSH USA				
Weaver Point Capital Advisors, LLC ("Weaver Point")	USA	65%	65%	Real estate advisory

The Group has accounted for the associate using equity method in accordance with IAS 28: Investment in Associates and Joint Ventures, as the Group does not have power over Weaver Point and the ability to use its power over Weaver Point to affect its returns and hence does not have control over the associate under IFRS 10.

The movement in the carrying value of the associate are as follows:

	Kuwaiti Dinars	
	2019	2018
As at 1 January	**4,495,413**	4,411,110
Share of results	**342,539**	1,061,949
Dividend received	**(1,067,450)**	(855,906)
Foreign currency translation adjustment	**(3,917)**	29,330
Impairment	**-**	(151,070)
	3,766,585	4,495,413

The share of results is net of priority distribution of KD 86,725 (2018: KD 818,341).

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The following table illustrates summarized financial information of Weaver Point:

	Kuwaiti Dinars	
	2019	2018
Assets and liabilities:		
Total assets	**929,693**	2,801,189
Total liabilities	**(141,351)**	(95,606)
Priority distribution	**(86,725)**	(818,341)
Net assets	**701,617**	1,887,242
Revenues	**1,907,673**	3,621,304
Profit for the year (net of priority distribution)	**550,057**	1,640,041
Share of associate's net assets	**433,035**	1,159,113
Goodwill	**3,333,550**	3,336,300
Carrying amount of interest in an associate	**3,766,585**	4,495,413

Impairment testing of goodwill

Goodwill relating to Weaver Point was tested for impairment by management as at 31 December 2019 which and found that there is no objective evidence on circumstances that indicates impairment in the value of its investment in associate. KD Nil (2018: KD 151,070).

The recoverable amount of the investment in Weaver Point has been determined based on value-in-use calculations, using cash flow projections based on financial budgets approved by the Management Committee of Weaver Point covering a 5-year period (2020 to 2024). The following rates were used:

	2019	2018
Discount rate	**15.0%**	15.0%
Projected compounded annual growth for income	**3.50%**	6.70%
Terminal growth rate	**3.00%**	2.00%

Discount rate

Discount rate reflects the current market assessment of the risk specific to Weaver Point, which is a real estate advisory company located in the United States specialized in real estate advisory services in accordance with the Sharia principles. The discount rate was estimated based on the average percentage of a weighted cost of capital for the investment advisory industry determined on a pre-tax basis. This rate was further adjusted to reflect the market assessment of any risks specific to Weaver Point for which future estimates of cash flows have been adjusted after appropriate discount rate as Weaver Point is not listed on any secondary capital market.

Sensitivity to changes in assumptions:

Weaver Point strategic business plan is to provide real estate structuring advisory and real estate asset management. The calculation of value-in-use for Weaver Point is most sensitive to projected compounded annual growth rate of Weaver Point's revenues and discount rate.

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8. Investment securities at fair value through other comprehensive income

	Kuwaiti Dinars	
	2019	2018
Unquoted foreign equity securities	**5,670,673**	10,418,376

During the year, the Group had an unrealised loss on unquoted equity securities amounting to KD 284,893 (2018: 36,880).

9. Investment securities at fair value through profit or loss

	Kuwaiti Dinars	
	2019	2018
Unquoted foreign equity securities	**1,242,272**	1,201,881

This represents an investment in a related party (note 14). During the year, the Group had an unrealised gain on unquoted equity securities amounting to KD 40,391 (2018: unrealised loss 117,879) (note 5).

10. Murabaha receivable

This represents the Group's interest in unsecured Murabaha provided by a subsidiary company to an unrelated party. The Group expects to collect the outstanding Murabaha balance at 31 December 2019 in full during 2020.

11. Share capital, reserves, directors' remuneration and proposed dividend

a. Share capital

The authorized, issued and fully paid up share capital comprises of 100,000,000 (2018: 100,000,000) shares of 100 fils (2018: 100 fils) each, which is fully paid in cash.

b. Statutory reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat, and Directors' remuneration has been transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the reserve equals 50% of the paid-up capital. The statutory reserve is not available for distribution except in certain circumstances stipulated by law.

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

c. Directors' remuneration

The Directors' remuneration of KD 54,666 (2018: KD 25,000) is in accordance with the local regulations and is subject to approval of the shareholders' in the annual general meeting.

d. Dividends

The annual general meeting of shareholders for the year ended 31 December 2018 held on 5 May 2019 approved distribution of cash dividends of KD 2,000,000.

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12. Lease Liabilities

	Kuwaiti Dinars
	2019
As at 1 January 2019	**320,046**
Finance Costs	**14,504**
Lease payments	**(147,250)**
As at 31 December 2019	**187,300**

The above is segregated as:

	Kuwaiti Dinars
	2019
Current	**135,172**
Non-Current	**52,128**
	187,300

The Group does not have any lease contracts that contains variable lease payments not included in the measurement of lease liabilities.

13. Murabaha payable

Murabaha payable represents the value of assets purchased on a deferred settlement basis from a related party (note 14). This was settled during the year.

14. Related party transaction

Related parties represent the Ultimate Parent Company, key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

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

	Kuwaiti Dinars	
	2019	2018
Consolidated statement of financial position:		
Investment securities at fair value through profit or loss (note 9)	**1,242,272**	1,201,881
Murabaha payable (note 13)	**-**	(4,128,307)
Accounts payable and accruals	**-**	(39,615)
Consolidated statement of income:		
Other income	**3,855**	4,185
General and administrative expenses	**(12,000)**	(12,000)
Murabaha payable costs	**(259,350)**	(263,150)
Key management compensation		
Salaries and other short term benefits	**225,608**	158,081
Employees' end of services benefits	**19,060**	9,140
	244,668	167,221

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15. Risk management

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each within the Group is accountable for the risk exposures relating to his or her responsibilities.

The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into profit rate risk, foreign currency risk and equity price risk. The Group's policy is to monitor those business risks through the Group's strategic planning process. No changes were made in the risk management objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial assets, which potentially subject the Group to credit risk, consist principally of bank balances and other receivables. The Group's bank balances is held with high credit quality banks and financial institutions. The Group seeks to limit its credit risk also by dealing with credit worthy counter parties and regularly monitoring its outstanding receivables.

Gross Maximum Exposure to credit risk

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements, if any:

	Kuwaiti Dinars						
		31 December 2019			31 December 2018		
	Approach	**Gross carrying amount at default**	**ECL**	**Net carrying amount**	Gross carrying amount at default	ECL	Net carrying amount
Murabaha receivable	General	**151,525**	**(6,819)**	**144,706**	1,538,480	(415,484)	1,122,996
Accounts receivable	General	**617,758**	**(11,062)**	**606,696**	405,140	(5,579)	399,561
Bank balances	General	**1,347,672**	**-**	**1,347,672**	434,402	-	434,402
		2,116,955	**(17,881)**	**2,099,074**	2,378,022	(421,063)	1,956,959

The net decrease in the loss allowance during the year is mainly attributed to the decrease in gross exposures at default. The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The Group does not have any other significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. It is not the practice of the Group to obtain collateral against receivables.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financials assets. To manage this risk, the Group periodically assesses the financial viability of customers and invests in short-term murabaha or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

All the financial liabilities of the Group are payable within one year from the consolidated statement of financial position date.

Market risk

Market risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: currency risk, interest rate risk and equity price risk.

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Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Group is not significantly exposed to profit rate risk as a result of mismatches of profit rate re-pricing of assets and liabilities since it does not hold significant floating rate Islamic financial assets and Islamic financial liabilities that could have a material impact on the Group's profit.

Currency risk

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

The Group monitors the positions on an ongoing basis to ensure positions are maintained within established limits and performs a continuous assessment of the Group's open positions and current and expected exchange rate movements.

The effect on profit (due to change in the fair value of monetary assets and liabilities), with all other variables held constant is shown below as at 31 December:

		Kuwaiti Dinars	
	Change percentage	**Effect on profit**	
Currency	(+/-)	**2019**	2018
USD	3%	**50,577**	14,955
GBP	3%	**1,552**	2,699

Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. Equity price risk is managed by the Group through diversification of investments in terms of geographical distribution and industry concentration.

The Group has unquoted equity securities in fair value through other comprehensive income category where the impact of changes in equity prices will only be reflected in the consolidated statement of other comprehensive income when the financial asset is sold or deemed to be impaired. The Group is not exposed to any other equity price risk.

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. The Group is not significantly exposed to prepayment risk.

16. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets.

	Kuwaiti Dinars			
31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities at fair value through Profit or loss	**-**	**-**	**1,242,272**	**1,242,272**
Investment securities at fair value through other comprehensive income	**-**	**-**	**5,670,673**	**5,670,673**
Investment properties	**-**	**-**	**450,241**	**450,241**
	-	**-**	**7,363,186**	**7,363,186**

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	Kuwaiti Dinars			
31 December 2018	Level 1	Level 2	Level 3	Total
Investment securities at fair value through Profit or loss	-	-	1,201,881	1,201,881
Investment securities at fair value through other comprehensive income	-	-	10,418,376	10,418,376
Investment properties	-	-	817,411	817,411
	-	-	12,437,668	12,437,668

The following table shows a reconciliation of the opening and closing amount of Level 3 assets which are recorded at fair value.

	Kuwaiti Dinars				
	1 January	**Gain/(loss) recorded in the consolidated statement of income**	**Gain/(loss) recorded in comprehensive income**	**Net purchase, sales and settlements**	**31 December**
Level 3					
2019	**12,437,668**	**(2,904)**	**(461,220)**	**(4,610,358)**	**7,363,186**
2018	6,329,421	(115,463)	72,952	6,150,758	12,437,668

17. Capital risk management

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

No changes were made in the objectives, policies or processes during the year ended 31 December 2019 and 31 December 2018. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt. The Group has no external borrowings.

18. Subsequent events

The outbreak of Novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group considers this event to be a non-adjusting event after the reporting period and therefore has not made any adjustments to the financial statements as a result of this matter. The outcome of this event is unknown and therefore the impact on the Group cannot be reasonably quantified at the date of issuance of these financial statements. From the analysis performed so far, no liquidity issues have been identified. Management will continue to monitor the situation closely and utilize committed facilities or seek additional facilities, or take additional measures as a fall back plan in case the period of disruption becomes prolonged. These and other relevant matters will be considered in the determination of the Group's estimates in 2020.

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