

**SECURITIES GROUP COMPANY K.S.C. (CLOSED)  
AND ITS SUBSIDIARIES (THE GROUP)  
STATE OF KUWAIT  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2019  
WITH  
INDEPENDENT AUDITORS' REPORT**

SECURITIES GROUP COMPANY K.S.C. (CLOSED)  
AND ITS SUBSIDIARIES (THE GROUP)  
STATE OF KUWAIT

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INDEPENDENT AUDITORS' REPORT

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Baneid Al Gar – Al Darwaza Tower – 10

Floor

Tel : 2246 4282 – 2246 0020

Fax : 2246 0032

P.O.Box : 240 Aldasma – 35151 –

Kuwait

[www.alikouhari.com](http://www.alikouhari.com)

RSM Albazle & Co.

Arraya Tower 2, Floors 41 & 42

Abdulaziz Hamad Alsaqar St., Sharq

P.O. Box 2115, Safat 13022, State of Kuwait

T +965 22961000

F +965 22412761

[www.rsmglobal/kuwait](http://www.rsmglobal/kuwait)

## INDEPENDENT AUDITORS' REPORT

The Shareholders  
Securities Group Company K.S.C. (Closed) and its subsidiaries  
State of Kuwait

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the consolidated financial statements of Securities Group Company K.S.C. (Closed) ("the Parent Company") and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the financial 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 March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the State of Kuwait.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, 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.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

**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, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the financial year ended March 31, 2019 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware, of any material violations, during the financial year ended March 31, 2019, of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of the Banking Business, and its related regulations. Also, in our opinion, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and the Organization of Security Activity, and its subsequent amendments and its Executive Regulations during the financial year ended March 31, 2019 that might have a material effect on the business or financial position of the Group.



Ali Mohammed Kouhari  
Licence No.156-A  
Member of PrimeGlobal

State of Kuwait  
May 15, 2019



Nayef M. Al-Bazie  
Licence No. 91-A  
RSM Albazie & Co.

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2019**  
(All amounts are in Kuwaiti Dinars)

<b><u>ASSETS</u></b>	<b>Note</b>	<b>2019</b>	<b>(Restated) 2018</b>
Cash on hand and at banks		<b>13,327,703</b>	13,065,304
Financial assets at fair value through profit or loss ("FVTPL")	3	<b>3,987,802</b>	1,915,904
Accounts receivable and other debit balances	4	<b>583,641</b>	1,427,697
Loans granted to others	24 (a)	-	56,527
Financial assets at fair value through other comprehensive income ("FVOCI")	5	<b>29,358,630</b>	24,684,458
Investment in associates	6	<b>26,498,156</b>	26,283,884
Investment in unconsolidated subsidiaries	7	<b>1,041,126</b>	820,525
Debt instruments at amortised cost	8	-	3,000,000
Investment properties	9	<b>28,184,954</b>	33,091,259
<b>Total assets</b>		<b>102,982,012</b>	<b>104,345,558</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Liabilities:</b>			
Loans	10	<b>28,281,509</b>	37,530,333
Loans from related parties	11	<b>14,402,416</b>	14,000,000
Accounts payable and other credit balances	12	<b>4,265,396</b>	3,983,865
<b>Total liabilities</b>		<b>46,949,321</b>	<b>55,514,198</b>
<b>Equity:</b>			
Capital	13	<b>24,000,000</b>	25,528,372
Treasury shares		-	(300,655)
Share premium		<b>3,046,592</b>	3,046,592
Treasury shares reserve		<b>3,052</b>	-
Statutory reserve	14	<b>12,769,186</b>	12,769,186
Voluntary reserve	15	<b>4,405,892</b>	4,405,892
Other reserves		<b>343,800</b>	316,233
Foreign currency translation adjustments		<b>923,401</b>	582,692
Fair value reserve		<b>6,586,148</b>	1,645,567
Retained earnings		<b>3,890,746</b>	773,611
Equity attributable to the shareholders of Parent Company		<b>55,968,817</b>	48,767,490
Non-controlling interests		<b>63,874</b>	63,870
<b>Total equity</b>		<b>56,032,691</b>	<b>48,831,360</b>
<b>Total liabilities and equity</b>		<b>102,982,012</b>	<b>104,345,558</b>
Memorandum accounts off the consolidated statement of financial position	21	<b>2,058,205,665</b>	1,433,807,907

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

Khaleel S. Al - Ali  
Chairman

Ali Y. Al - Awadi  
Vice Chairman and CEO

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED MARCH 31, 2019**  
(All amounts are in Kuwaiti Dinars)

	Note	2019	2018
<b>Revenues:</b>			
Net investment income	16	2,266,202	578,789
Fees and commission income	17	2,207,939	2,711,577
Interest income		17,227	201,806
Rental income		1,033,898	1,192,825
Group's share of results from associates	6	541,129	1,028,878
Loss on sale of investment properties	9	(909)	(783,559)
Impairment losses on investment properties	9	(16,125)	-
Net provision for expected credit losses (charged) no longer required	4	(78,370)	43,814
Provision for loans granted to others (charged) no longer required		(56,527)	1,357
Other income		24,254	17,605
		<u>5,938,718</u>	<u>4,993,092</u>
<b>Expenses and other charges:</b>			
General and administrative expenses	18	(1,651,170)	(1,389,223)
Finance charges	23	(1,048,315)	(1,299,173)
Foreign exchange loss		(231,525)	(95,235)
		<u>(2,931,010)</u>	<u>(2,783,631)</u>
Profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		3,007,708	2,209,461
Contribution to KFAS		(17,102)	(7,691)
NLST		-	(9,096)
Zakat		(6,449)	(2,163)
Board of Directors' remuneration	19	-	(25,000)
<b>Profit for the year</b>		<u>2,984,157</u>	<u>2,165,511</u>
Attributable to:			
Shareholders of the Parent Company		2,984,153	2,166,147
Non-controlling interests		4	(636)
<b>Profit for the year</b>		<u>2,984,157</u>	<u>2,165,511</u>
		<b>Fils</b>	<b>Fils</b>
Basic and diluted earnings per share attributable to shareholders of the Parent Company	20	<u>12.31</u>	<u>8.58</u>

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED MARCH 31, 2019**  
(All amounts are in Kuwaiti Dinars)

	Note	2019	2018
Profit for the year		<u>2,984,157</u>	<u>2,165,511</u>
<b>Net other comprehensive income:</b>			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Share of other comprehensive income of associates	6	261	49,105
Exchange differences on translating foreign operations		<u>340,448</u>	<u>(88,892)</u>
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Changes in fair value of financial assets at FVOCI		<u>4,939,128</u>	<u>978,902</u>
<b>Net other comprehensive income for the year</b>		<u>5,279,837</u>	<u>939,115</u>
<b>Total comprehensive income for the year</b>		<u><u>8,263,994</u></u>	<u><u>3,104,626</u></u>
Attributable to:			
Shareholders of the Parent Company		8,263,990	3,105,262
Non-controlling interests		<u>4</u>	<u>(636)</u>
<b>Total comprehensive income for the year</b>		<u><u>8,263,994</u></u>	<u><u>3,104,626</u></u>

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.



**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2019**  
(All amounts are in Kuwaiti Dinars)

	Equity attributable to the Shareholders of the Parent Company										Non-controlling interests	Total
	Capital	Treasury shares	Share premium	Treasury share reserve	Statutory reserve	Voluntary reserve	Other reserves	Foreign currency translation adjustments	Fair value reserve	Retained earnings	Sub-total	
Balance as at March 31, 2017	25,528,372	(297,374)	3,046,592	-	12,764,186	4,405,892	316,137	622,479	1,066,022	2,973,725	50,426,031	50,490,537
Transition adjustment on early adoption of IFRS 9 at April 1, 2017	-	-	-	-	-	-	-	-	(399,357)	(812,524)	(1,211,881)	(1,211,881)
Balance as at April 1, 2017 (Restated)	25,528,372	(297,374)	3,046,592	-	12,764,186	4,405,892	316,137	622,479	666,665	2,161,201	49,214,150	49,278,656
Purchase of treasury shares	-	(3,281)	-	-	-	-	-	-	-	-	(3,281)	(3,281)
Transfer of loss on disposal of financial assets at FVOCI to retained earnings	-	-	-	-	-	-	-	-	-	(1,331,409)	(1,331,409)	(1,331,409)
Effect of ownership change in an associate	-	-	-	-	-	-	96	-	-	-	96	96
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(39,787)	978,902	2,166,147	3,105,262	3,104,626
Cash dividends (Note 19)	-	-	-	-	-	-	-	-	-	(1,262,925)	(1,262,925)	(1,262,925)
Transfer to statutory reserve	-	-	-	-	5,000	-	-	-	-	(5,000)	-	-
Balance as at March 31, 2018 (as previously reported)	25,528,372	(300,655)	3,046,592	-	12,769,186	4,405,892	316,233	582,692	1,645,567	1,728,014	49,721,893	49,785,763
Prior year adjustment (Note 6 & 27)	-	-	-	-	-	-	-	-	-	(954,403)	(954,403)	(954,403)
Balance as at March 31, 2018 (Restated)	25,528,372	(300,655)	3,046,592	-	12,769,186	4,405,892	316,233	582,692	1,645,567	773,611	48,767,490	48,831,360
Capital reduction (Note 13)	(1,528,372)	18,001	-	-	-	-	-	-	-	(1,870)	(1,512,241)	(1,512,241)
Sale of treasury shares	-	282,654	-	3,052	-	-	-	-	-	-	285,706	285,706
Transfer of gain on disposal of financial assets at FVOCI to retained earnings	-	-	-	-	-	-	-	-	1,453	134,852	136,305	136,305
Effect of ownership change in an associate	-	-	-	-	-	-	27,567	-	-	-	27,567	27,567
Total comprehensive income for the year	-	-	-	-	-	-	-	340,709	4,939,128	2,984,153	8,263,990	8,263,994
Balance as at March 31, 2019	24,000,000	-	3,046,592	3,052	12,769,186	4,405,892	343,800	923,401	6,586,148	3,890,746	55,968,817	56,032,691

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2019**  
(All amounts are in Kuwaiti Dinars)

	Note	2019	2018
<b>Cash flow from operating activities:</b>			
Profit for the year before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		3,007,708	2,209,461
Adjustments for:			
Net investment income	16	(2,266,202)	(578,789)
Interest income		(17,227)	(201,806)
Group's share of results from associates	6	(541,129)	(1,028,878)
Loss on sale of investment properties	9	909	783,559
Impairment losses on investment properties	9	16,125	-
Net provision for expected credit losses charged (no longer required)		78,370	(43,814)
Provision for loans granted to others charged (no longer required)		56,527	(1,357)
Gain on sale of investment in unconsolidated subsidiaries		(1,292)	(1,972)
Finance charges		1,048,315	1,299,173
Foreign exchange loss		231,525	95,235
		<u>1,613,629</u>	<u>2,530,812</u>
Changes in operating assets and liabilities:			
Financial assets at FVTPL		(854,065)	(294,689)
Accounts receivable and other debit balances		533,924	(237,536)
Loans granted to others		-	134,372
Accounts payable and other credit balances		203,276	(545,346)
Net cash generated from operating activities		<u>1,496,764</u>	<u>1,587,613</u>
<b>Cash flow from investing activities:</b>			
Proceeds from sale of financial assets at FVOCI		409,493	3,209,586
Purchase of additional investment in an associate		(248,745)	(432,189)
Proceeds from capital reduction of an associate		98,500	2,289,919
Paid for investment in unconsolidated subsidiaries		(250,000)	-
Proceeds from sale of investment in unconsolidated subsidiaries		26,000	29,400
Proceeds from redemptions of debt instruments at amortized cost		3,000,000	-
Paid for additions to investment properties	9	(1,513,911)	(6,500,000)
Proceeds from sale of investment properties	9	6,560,608	2,147,170
Interest income received		17,227	151,931
Dividends income received		1,737,417	1,256,610
Net cash generated from investing activities		<u>9,836,589</u>	<u>2,152,427</u>
<b>Cash flows from financing activities:</b>			
Loans		(9,248,824)	(15,186,240)
Loans from related parties		402,416	14,000,000
Cash dividends paid		(31,252)	(1,270,262)
Capital reduction		(1,448,781)	-
Finance charges paid		(1,030,219)	(898,924)
Proceeds from sale of treasury shares		285,706	-
Purchase of treasury shares		-	(3,281)
Net cash used in financing activities		<u>(11,070,954)</u>	<u>(3,358,707)</u>
Net increase in cash on hand and at banks		262,399	381,333
Cash on hand and at banks at the beginning of the year		13,065,304	12,683,971
Cash on hand and at banks at the end of the year		<u>13,327,703</u>	<u>13,065,304</u>

The accompanying notes (1) to (27) form an integral part of the consolidated financial statements.

**1. Incorporation and principal activities**

Securities Group Company K.S.C. (Closed) (the Parent Company) is a Kuwaiti Closed Shareholding Company incorporated by agreement no. 786 / Vol. 2 dated October 24, 1981 and the latest amendment on August 15, 2018 (Note 13). The Parent Company's registered office is P.O. Box 26953, Safat 13130, State of Kuwait.

The principal activities of the Parent Company include:

- Trading in securities listed in Kuwait and the GCC
- Acting as custodian and managers of funds
- Conducting research and studies
- Providing financial and investment services
- Obtaining loans from the financial market, granting to others and acting as an intermediary in the lending and borrowing process
- Establishing and managing real estate portfolios for its clients inside and outside Kuwait and
- Investment in real estate.

The Parent Company is under the supervision of the Capital Markets Authority according to Law No. 7/2010 for investment companies and by the Central Bank of Kuwait ("CBK") for financing activities.

The consolidated financial statements were authorized for issue by the Board of Directors on May 15, 2019. The Shareholders' Annual General Assembly has the power to amend these consolidated financial statements after issuance.

**2. Significant accounting policies**

The accompanying consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB") and with the regulations of the Government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait ("CBK") and the Capital Markets Authority ("CMA"). These regulations require adoption of all IFRSs as issued by IASB except for the measurement and disclosure requirements of expected credit losses (ECL) on credit facilities under IFRS 9: Financial Instruments. Accordingly, provision for credit losses on credit facilities is the higher of ECL under IFRS 9, determined in accordance with the CBK guidelines, and the provisions required by the CBK rules on classification of credit facilities and calculation of their provisions as described under the accounting policy for impairment of financial assets. Significant accounting policies are summarized as follows:

**(a) Basis of preparation**

The consolidated financial statements are presented in Kuwaiti Dinars ("KD") which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for financial assets at FVTPL and financial assets at FVOCI are stated at their fair value

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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 Group has early adopted IFRS 9 on the audited consolidated financial statements for the year ended March 31, 2018, with a date of initial application of April 1, 2017.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2(t).

**Standards and interpretations issued and effective**

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year, except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2018:

**IFRS 15 - Revenue from contracts with customers**

The standard, effective for annual periods beginning on or after January 1, 2018, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the following existing standards and interpretations upon its effective date:

- IAS 18 – Revenue,
- IAS 11 – Construction Contracts,
- IFRIC 13 – Customer Loyalty Programs,
- IFRIC 15 – Agreements for the Construction of Real Estate,
- IFRIC 18 – Transfers of Assets from Customers, and,
- SIC 31 – Revenue-Barter Transactions Involving Advertising Services

This standard applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as IAS 17. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers. The adoption of this standard did not result in any change in the accounting policies of the Group and did not have any significant effect on the Group's consolidated financial statements.

**IFRIC 22 - Foreign Currency Transactions and Advance Consideration**

The interpretation will be effective for annual periods beginning on or after January 1, 2018 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

**Amendments to IAS 28 – Investment in Associates and Joint Ventures**

The amendments clarify that:

- a) An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through consolidated statement of profit or loss.
- b) If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (i) the investment entity associate or joint venture is initially recognized; (ii) the associate or joint venture becomes an investment entity; and (iii) the investment entity associate or joint venture first becomes a parent.

**Amendments to IAS 40 – Transfers of Investment Property**

The amendment will be effective for annual periods beginning on or after January 1, 2018 and clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRIC 22 and amendments to IAS 28 and IAS 40 do not have any material impact on the consolidated financial statements.

**Standards and Interpretations issued but not effective**

The following new and amended IASB Standards have been issued but are not yet effective, and have not been adopted by the Group:

**IFRS 16 - Leases**

This standard will be effective for annual periods beginning on or after January 1, 2019 and will be replacing IAS 17 "Leases". The new standard does not significantly change the accounting for leases for lessors and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17 with limited exceptions for low-value assets and short term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

**Amendments to IFRS 9: Prepayment features with negative compensation**

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

**Amendments to IAS 28: Long-term interests in associates and joint ventures**

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28: Investments in Associates and Joint Ventures.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

**Annual Improvements 2015 – 2017 Cycle (issued in December 2017)**

**IFRS 3 – Business Combinations**

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

IAS 23 – Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted. Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements.

Amendments to the standards mentioned above are not expected to have any material impact on the consolidated financial statements.

b) Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the following subsidiaries (together the "Group"):

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Percentage of holding</u>	
			<b>2019</b>	<b>2018</b>
Al Anoud Al Thahabiya Company W.L.L.	Kingdom of Saudi Arabia	Real Estate	<b>100%</b>	100%
North African Investment Company Limited	Cayman Islands	Investment	<b>100%</b>	100%
SG Real estate Company W.L.L.	Kuwait	Real Estate	<b>99%</b>	99%
Securities Group Morocco SARL AU	Morocco	Industrial	<b>100%</b>	100%
Al-Ataya International Foods Company K.S.C. (Closed)	Kuwait	Food	<b>75%</b>	75%

Subsidiaries (investees) are those enterprises controlled by the Parent Company. Control is achieved when the Parent Company:

- has power over the investee.
- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Parent Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders' share of changes in equity since the date of the combination. Non-controlling interests are measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries.

Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings as appropriate.

c) Financial instruments

The Group classifies its financial instruments as "Financial assets" and "Financial Liabilities". Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, financial assets at FVTPL, receivables, loans granted to others, financial assets at FVOCI, loans, loans from related parties and payables.

(A) Financial assets

**I. Classification of financial assets**

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed 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 objectives and in order to generate contractual cash flows. 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 FVTPL. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios.

#### **Initial recognition**

Purchases and sales of those financial assets are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL.

#### **Derecognition**

A financial asset (in whole or in part) is derecognized either when: the contractual rights to receive the cash flows from the financial asset have expired; or the Group has transferred its rights to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of ownership of the financial asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

#### **Measurement categories of financial assets**

- Debt instruments at amortized cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to consolidated statement of profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to consolidated statement of profit or loss on derecognition
- Financial assets at FVPTL

#### **Debt instruments at amortized cost**

A financial asset is measured at amortized 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 solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at amortized cost are subsequently measured at amortized cost using the effective yield method adjusted for impairment losses if any. Gain and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Cash on hand and at banks, trade and other receivables and investment in bonds are classified as debt instruments at amortized cost.

#### **i. Trade receivables**

Receivables are amounts due from customers for services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.



#### **Debt instruments at FVOCI**

The Group measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in consolidated statement of profit or loss. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to consolidated statement of profit or loss.

#### **Equity instruments at FVOCI**

Upon initial recognition, the Group may elect to classify irrevocably some of its 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.

Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognized in consolidated statement of profit or loss 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 OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from cumulative changes in fair value to retained earnings in the consolidated statement of changes in equity. The Group classifies investments in quoted and unquoted equity investments under financial assets at FVOCI in the consolidated statement of financial position.

#### **Financial assets 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. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair value, gain on disposal, interest income and dividends are recorded in consolidated statement of profit or loss according to the terms of the contract, or when the right to payment has been established.

The Group classifies investments in quoted equity investments under financial assets at FVTPL in the consolidated statement of financial position.

## **II. Impairment of financial assets**

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables balances and related party receivables with no significant financing component, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. Accordingly, the Group does not track changes in credit risk and assesses impairment on a collective basis. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Exposures were segmented based on common credit characteristics such as credit risk grade, geographic region and industry, delinquency status and age of relationship where applicable

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. ECLs for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets and charged to the consolidated statement of profit or loss.

**(B) Financial liabilities**

**i) Accounts payable**

Accounts payable include trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

**ii) Borrowings**

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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

**(C) Offsetting of financial assets and liabilities**

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

**d) Associates**

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group accounted for its share of results from its associates according to the audited financial statements of the associates as at December 31, 2018 with the amendment for any material transactions up to March 31, 2019.

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate. Losses of an associate in excess of 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) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in 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 the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

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

After the application of the equity method, the Group determines whether it is necessary to recognize impairment loss on the Group's investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, The Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss.

e) Investment properties

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are re-measured at cost including purchase price and transactions costs less accumulated depreciation and impairment losses. Land on which the investment property is erected is not depreciated. Depreciation is computed on a straight-line basis over the useful life of the buildings for 20 years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses arising on the retirement or disposal of an investment property are recognized in the consolidated statement of profit or loss.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

g) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.

h) Provision for end of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labor Law in the private sector, employee contracts and the applicable labor laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination at the end of the reporting period, and approximates the present value of the final obligation.

i) Share capital

Ordinary shares are classified as equity.

j) Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or canceled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity (treasury shares reserve) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings, reserves, and then share premium.

Gains realized subsequently on the sale of treasury shares are first used to offset any recorded losses in the order of share premium, reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Where any Group's company purchases the Parent Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs is included in equity attributable to the Parent Company's shareholders.

k) Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is identified as the person being responsible for allocating resources, assessing performance and making strategic decisions regarding the operating segments.

l) Revenue recognition

IFRS 15 defines revenue as "income arising in the course of an entity's ordinary activities" and establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The five steps in the model are as follows:

- Step 1: Identify the contract with the customer – A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify the performance obligations in the contract – A performance obligation is a promise in a contract with the customer to transfer goods or services to the customer.
- Step 3: Determine the transaction price – The transaction price is the amount of consideration to which the Group expects to be entitled in exchange of transferring promised good or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4: Allocate the transaction price to the performance obligations in the contracts – For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

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

Before adopting IFRS 15, the Group recognized revenue at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities net of discount, returns and volume rebates. The Group recognized revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Under IFRS 15, revenue is recognized either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group transfers control of a good or service over time (rather than at a point in time) when any of the following criteria are met:

- The Customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs.
- The Group's performance creates or enhances an asset (e.g., work in process) that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Control is transferred at a point in time if none of the criteria for a good or service to be transferred over time are met. The Group considers the following factors in determining whether control of an asset has been transferred:

- The Group has a present right to payment for the asset.
- The Customer has legal title to the asset.
- The Group has transferred physical possession of the asset.
- The Customer has the significant risks and rewards of ownership of the asset.
- The Customer has accepted the asset.

Revenue for the Group arises from the following activities:

i) Management fees

Management fees are recognized on a cash basis when the service rendered.

ii) Fees and commission income

Fees, commission and consultancy revenue is recognized at the time the related services are provided.

iii) Rental income

Return income is recognized, when earned, on a time apportionment basis by using the effective return method.

iv) Revenue on sale of properties

Revenue on sale of properties is recognized on the basis of the full accrual method as and when all of the following conditions are met:

A sale is consummated, and contracts are signed;

- The buyer's investment, to the date of the financial statements, is adequate to demonstrate a commitment to pay for the property;
- The Group's receivable is not subject to future subordination;
- The Group has transferred control to the buyer; and
- Work to be completed is either, easily measurable and accrued or is not significant in relation to the overall value of the contract.

v) Other income and expenses

Other income and expenses are recognized on accrual basis.

**Transition**

On applying the requirements of IFRS 15, the Group has determined that no significant impact arises on its consolidated financial statements.

m) Foreign currencies

Foreign currency transactions are translated into Kuwaiti Dinars at rates of exchange prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency as at the end of reporting period are retranslated into Kuwaiti Dinars at rates of exchange prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in consolidated statement of profit or loss for the period. Translation differences on non-monetary items such as equity instruments which are classified as financial assets at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equity instruments classified as financial assets at fair value through other comprehensive income are included in "cumulative changes in fair value" in other comprehensive income.

**SECURITIES GROUP COMPANY K.S.C. (CLOSED) AND SUBSIDIARIES (THE GROUP)**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2019**

(All amounts are in Kuwaiti Dinars)

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The assets and liabilities of the foreign subsidiary are translated into Kuwaiti Dinars at rates of exchange prevailing at the end of reporting period. The results of the subsidiary are translated into Kuwaiti Dinars at rates approximating the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on translation are recognized directly in other comprehensive income. Such translation differences are recognized in consolidated statement of profit or loss in the period in which the foreign operation is disposed off.

n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Contribution to KFAS is calculated at 1% of the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting accumulated losses, its share of income from Kuwaiti shareholding subsidiaries, associates and transfer to statutory reserve.

p) National Labor Support Tax (NLST)

National Labor Support Tax is calculated at 2.5% on the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of profit from associates and unconsolidated subsidiaries listed in Bursa Kuwait, its share of NLST paid by subsidiaries listed in Bursa Kuwait and cash dividends received from companies listed in Bursa Kuwait in accordance with Law No. 19 for year 2000 and Ministerial Resolution No. 24 for year 2006 and their executive regulations. No NLST has been provided since the Parent Company has been delisted from Bursa Kuwait on June 15, 2017.

q) Zakat

Zakat is calculated at 1% on the profit of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration and after deducting its share of profit from Kuwaiti shareholding associates and unconsolidated subsidiaries, its share of Zakat paid by Kuwaiti shareholding subsidiaries and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 for year 2006 and Ministerial Resolution No. 58 for year 2007 and their Executive Regulations.

r) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements unless it is probable as a result of past events that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Else, they are disclosed unless the possibility of an outflow of resources embodying economic losses is remote.

Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits as a result of past events is probable.

s) Memorandum accounts off the statement of financial position

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

t) Critical accounting estimates and judgments

The Group makes judgments, estimates and assumptions concerning the future. The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from the estimates.

a) **Judgments**

In the process of applying the Group's accounting policies which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements.

(i) Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IFRS 15 and revenue accounting policy explained in Note 2(i) are met requires significant judgment.

(ii) Provision for doubtful debts

The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.

(iii) Classification of financial assets

On acquisition of a financial asset, the Group decides whether it should be classified as at "amortized cost", "FVTPL" or "FVOCI". IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets of the instrument's contractual cash flow characteristics. The Group follows the guidance of IFRS 9 on classifying its financial assets.

(iv) Classification of land

Upon acquisition of land, the Group classifies the land into one of the following categories, based on the intention of the management for the use of the land:

1) Properties under development

When the intention of the Group is to develop land in order to sell it in the future, both the land and the construction costs are classified as properties under development.

2) Work in progress

When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.

3) Properties held for trading

When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.

4) Investment properties

When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment property.

(v) Significant influence assessment

When determining significant influence over an investee, management considers whether the Group has the power to participate in the financial and operating policy decisions of the investee if it holds less than 20% of the investee's voting rights. The assessment, which requires significant judgment, involves consideration of the Group's representation on the investee's board of directors, participation in policy making decisions and material transactions between the investor and investee.



**b) Estimation and assumptions**

The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period 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.

(i) Fair value of unquoted financial assets

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

(ii) Provision for doubtful debts

The extent of provision for doubtful debts and inventories involves estimation process. Provision for doubtful debts is based on a forward looking ECL approach. Bad debts are written off when identified. The benchmarks for determining the amount of provision include ageing analysis, technical assessment and subsequent events. The provisions of accounts receivable are subject to management approval.

(iii) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future financial assets that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

**3. Financial assets at fair value through profit or loss ("FVTPL")**

Financial assets at FVTPL represents quoted securities held by the Group primarily for the purpose of trading and short-term profit making.

The net change in financial assets at FVTPL is mainly represented by addition of investments of KD 9,335,820 and disposal of investments with carrying value of KD 7,286,165.

Valuation techniques of financial assets at FVTPL are disclosed in Note (25).

**4. Accounts receivable and other debit balances**

	2019	2018
Accrued revenue	2,992,431	3,008,661
Due from related parties (Note 23)	-	596,314
Advance payment for acquiring investments	144,108	394,108
Accrued interest and dividend	206,685	54,472
Other receivables	342,407	412,946
	3,685,631	4,466,501
Less: provision for expected credit losses (a)	(3,101,990)	(3,038,804)
	583,641	1,427,697

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(a) The movement in the provision for expected credit losses was as follows:

	2019	2018
Balance at the beginning of the year	3,038,804	3,082,618
Charge during the year	89,690	1,878
Utilized during the year	(15,184)	-
Reversed during the year	(11,320)	(45,692)
Balance at the end of the year	3,101,990	3,038,804

5. Financial assets at fair value through other comprehensive income ("FVOCI")

	2019	2018
Quoted securities	22,149,202	16,438,003
Unquoted securities	7,209,428	8,246,455
	29,358,630	24,684,458

Quoted securities with a carrying value of KD 22,142,547 were pledged with a local bank against a loan (Note 10).

Financial assets at FVOCI are denominated in the following currencies:

	2019	2018
Kuwaiti Dinar	26,009,365	20,133,656
US Dollar	3,281,015	4,483,682
Saudi Riyal	68,250	67,120
	29,358,630	24,684,458

Valuation techniques of financial assets at FVOCI are disclosed in Note (25).

6. Investment in associates

Name of the associate	Country of incorporation	Percentage of holding		2019	(Restated) 2018
		2019	2018		
Kuwait Saudi Pharmaceutical Industries Co. S.A.K. (Closed) ("KSPI")	Kuwait	50%	50%	15,529,419	15,028,783
Al Madar Al Thahabia Co. W.L.L ("Al Madar")	KSA	24%	24%	5,947,559	6,048,941
Future Communication Co. K.S.C.P. ("FCC")	Kuwait	34.29%	33.70%	2,625,623	2,631,608
Al-Jazeera Real Estate Development Co. K.S.C. (Closed) ("Al-Jazeera")	Kuwait	20%	20%	1,638,713	1,577,783
Alpha Atlantique Du Sahara S.A.	Morocco	22.52%	22.52%	621,366	807,488
Kuwait Qatari Co. for Real Estate Development K.S.C.C. ("KQRE")	Kuwait	40.72%	40.72%	129,246	183,051
Mena Equities Ltd.	British Virgin Islands	44.15%	44.15%	6,230	6,230
				26,498,156	26,283,884

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a) The movement during the year is as follows:

	<b>2019</b>	(Restated) <b>2018</b>
Balance at the beginning of the year	<b>26,283,884</b>	28,989,894
Transition adjustment on early adoption of IFRS 9 at April 1, 2017	-	(413,908)
Balance at the beginning of the year (Restated balance as at April 1, 2017)	<b>26,283,884</b>	28,575,986
Prior year adjustment (Note 27)	-	(954,403)
Balance (Restated balance) at the beginning of the year	<b>26,283,884</b>	27,621,583
Additions	<b>248,745</b>	432,189
Capital reduction of investment in an associate	<b>(98,500)</b>	(2,289,919)
Effect of ownership change in an associate	<b>27,567</b>	96
Group's share of results from associates	<b>541,129</b>	1,028,878
Share of other comprehensive income	<b>261</b>	49,105
Cash dividends received	<b>(689,048)</b>	(610,846)
Foreign currency translation adjustments	<b>184,118</b>	52,798
Balance at the end of the year	<b>26,498,156</b>	26,283,884

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b) The summarized financial information of associates which are material to the Group is as follows:

Statement of financial position	KSPI	FCC	Al Madar	Al-Jazeera	2019	(Restated) 2018
Current assets	20,148,463	14,641,334	866,839	298,328	35,954,964	35,548,290
Non-current assets	7,908,169	473,137	32,996,084	14,661,312	56,038,702	54,911,996
Current liabilities	7,289,104	6,445,042	926,471	4,381,195	19,041,812	15,880,321
Non-current liabilities	1,823,754	1,012,319	8,154,957	2,384,882	13,375,912	13,826,896
Net assets	18,943,774	7,657,110	24,781,495	8,193,563	59,575,942	60,753,069
Statement of profit or loss						
Revenue	12,329,540	24,064,383	1,291,296	4,086,993	41,772,212	42,203,568
Expenses	(10,249,576)	(23,778,378)	(3,556,131)	(3,289,844)	(40,873,929)	(40,122,012)
Net profit (loss) for the year	2,079,964	286,005	(2,264,835)	797,149	898,283	2,081,556
Dividends received	539,347	149,710	-	-	689,057	610,846
Contingent liabilities and commitments	1,582,754	553,397	-	-	2,136,151	3,369,513

(a) Reconciliation of the above summarized financial information to the carrying amount of investment in associates recognized in the consolidated financial statements:

2019	KSPI	FCC	Al Madar	Al-Jazeera
Net assets of the associate	18,943,774	7,657,110	24,781,495	8,193,563
Group's percentage of ownership	50%	34.29%	24%	20%
Goodwill	9,471,887	2,625,623	5,947,559	1,638,713
Carrying amount of Group's investment in the associate	6,057,532	-	-	-
Group's share of results from associates	15,529,419	2,625,623	5,947,559	1,638,713
	1,039,982	98,071	(543,560)	159,430
2018	(Restated) KSPI	FCC	Al Madar	Al-Jazeera
Net assets of the associate	17,942,502	7,808,927	25,203,920	7,888,914
Group's percentage of ownership	50%	33.7 %	24%	20%
Goodwill	8,971,251	2,631,608	6,048,941	1,577,783
Carrying amount of Group's investment in the associate	6,057,532	-	-	-
Group's share of results from associates	15,028,783	2,631,608	6,048,941	1,577,783
	1,144,716	152,382	(318,032)	137,022

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**7. Investment in unconsolidated subsidiaries**

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of ownership</u>	<u>Principal activities</u>	<u>2019</u>	<u>2018</u>
Third Securities Group for Economic Consultants Company W.L.L.	Kuwait	99%	Consulting	7,425	7,425
Fourth Securities Group for Mechanical Consultants Company W.L.L.	Kuwait	99%	Consulting	247,500	247,500
Private Group for General Trading and Contracting Company W.L.L.	Qatar	50%	Real Estate	1	8,000
Ready Office Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
Al Jadedeiah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
Al Raha Real Estate Company W.L.L.	Kuwait	99%	Real Estate	-	59,400
Al Sametah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	59,400	59,400
Masjan Al Kuwait Company W.L.L.	Kuwait	99%	Real Estate	-	80,000
Awarah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	-	80,000
Al Liwan Al Kuwaitiya Company W.L.L.	Kuwait	99%	Real Estate	80,000	80,000
Al Liyah Real Estate Company W.L.L.	Kuwait	99%	Real Estate	80,000	80,000
Al Hemam Holding Company	Kuwait	99%	Holding Co. General	250,000	-
Al Sibiya Kaza General Trading Company W.L.L.	Kuwait	99%	Trading General	99,000	-
Al Sawaber General Trading Company W.L.L.	Kuwait	99%	Trading	99,000	-
				<u>1,041,126</u>	<u>820,525</u>

The Group has not consolidated these subsidiaries since they have not yet commenced operations till date.

**8. Debt instruments at amortised cost**

On April 24, 2018, a local bank (issuer of the bonds) elected to early redeem the outstanding bonds, in whole by their principal amount plus the accrued interest.

**9. Investment properties**

The movement during the year was as follows:

	<u>2019</u>	<u>2018</u>
Balance at the beginning of the year	33,091,259	29,663,774
Additions	1,513,911	6,500,000
Disposals (c)	(6,561,517)	(2,930,729)
Impairment losses on investment properties	(16,125)	-
Foreign currency translation adjustments	157,426	(141,786)
Balance at the end of the year	<u>28,184,954</u>	<u>33,091,259</u>

(a) Management of the Parent Company has complied with the Executive Regulations of Capital Markets Authority with respect to guidelines for valuation of investment properties.

(b) The fair value of investment properties as at March 31, 2019 was KD 31,378,863 (2018: KD 40,988,680) based on the lowest of valuations carried out by two independent values. In estimating the fair value of investment properties, the cost approach, income capitalization approach and market comparable approach have been used, considering the nature and usage of the investment properties. The fair value measurement of investment properties has been categorized as level 3 fair value based on inputs to the valuation technique used.

(c) During the year, the Group sold investment properties with a carrying value of 6,561,517 for an amount of KD 6,560,608 that resulted in a loss of KD 909.

10. Loans

Revolving loans carry an annual interest rate ranging from 3% to 4% (2018: ranging from 2.75% to 3.75%). Loan of KD 15,595,500 is secured by quoted securities classified as financial assets at FVOCI as at March 31, 2019 (Note 5) (2018: KD 15,815,000)) and the other loan is secured by promissory notes. The loans of KD 15,595,500 and KD 12,686,009 are due for settlement on May 15, 2020.

11. Loans from related parties

These represent loans obtained from a shareholder carrying an interest rate ranging from 2.5% to 3.25% (2018: 2.5%) per annum over the Central Bank of Kuwait Discount rate. Loans from related party are due for settlement within a period from one to two years.

12. Accounts payable and other credit balances

	2019	2018
Accrued expenses	1,303,709	1,198,890
Dividend payable	273,606	304,858
Provision for end of service indemnity	528,223	802,068
Due to related parties (Note 23)	1,465,068	1,098,684
Other credit balances	694,790	579,365
	<u>4,265,396</u>	<u>3,983,865</u>

13. Capital

The authorized, issued and paid-up capital amounting to KD 24,000,000 allocated on 240,000,000 shares (2018: KD 25,528,372 allocated on 255,283,720 shares) with a par value of 100 fils each and all shares are paid in cash.

The Group has reduced issued and paid up share capital by KD 1,528,372 through distribution of cash and the cancellation of treasury shares proportionally. The amendment in the share capital was approved by the Extraordinary General Assembly held on July 26, 2018 and was notarized in the Parent Company's Commercial Registry on August 15, 2018.

14. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve exceeds 50% of the capital. This reserve is not available for distribution except for in certain cases stipulated by Law and the Parent Company's Articles of Association. Since the statutory reserve exceeds 50% of the Parent Company's capital, the Parent Company had discontinued transferring any amounts to statutory reserve.

15. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to shareholders of the Parent Company before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration is transferred to voluntary reserve. Such transfer may be discontinued by a resolution at the Shareholders' Annual General Assembly, upon recommendation by the Board of Directors. The Shareholders' General Assembly dated April 6, 2004, approved to discontinue any transfer to the voluntary reserve with effect from December 31, 2002.

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**16. Net investment income**

	<b>2019</b>	<b>2018</b>
Unrealized gain (loss) on financial assets at FVTPL	<b>22,243</b>	<b>(71,177)</b>
Realized gain from sale of financial assets at FVTPL	<b>1,195,590</b>	<b>4,201</b>
Dividend income	<b>1,048,369</b>	<b>645,765</b>
	<b><u>2,266,202</u></b>	<b><u>578,789</u></b>

**17. Fees and commission income**

	<b>2019</b>	<b>2018</b>
Portfolio management fees	<b>1,294,556</b>	<b>1,078,596</b>
Consultancy fees	<b>793,283</b>	<b>1,631,178</b>
Commission	<b>120,100</b>	<b>1,803</b>
	<b><u>2,207,939</u></b>	<b><u>2,711,577</u></b>

**18. General and administrative expenses**

	<b>2019</b>	<b>2018</b>
Staff costs	<b>1,309,077</b>	<b>1,025,739</b>
Management and consultancy fees	<b>68,251</b>	<b>74,864</b>
Professional fees	<b>33,979</b>	<b>49,675</b>
Other expenses	<b>239,863</b>	<b>238,945</b>
	<b><u>1,651,170</u></b>	<b><u>1,389,223</u></b>

**19. Dividend distribution and Board of Directors' remuneration**

The Board of Directors' meeting held May 15, 2019 proposed not to distribute cash dividends and not to distribute Board of Directors' remuneration for the financial year ended March 31, 2019. These proposals are subject to the approval of the Shareholders' Annual General Assembly.

The Board of Directors' meeting held on February 13, 2019 proposed to reduce the share capital by 10% amounting to KD 2,400,000 that will be KD 21,600,000 and distribute this reduction to the Shareholders of the Parent Company recorded on the same date of the Parent Company's Shareholders' Extraordinary General Assembly. This proposal is subject to the approval of the Shareholders' Extraordinary General Assembly and regulatory authorities.

The Shareholders' Annual General Assembly held on July 26, 2018 approved the Board of Directors' proposal not to distribute cash dividends and approved Board of Directors' remuneration amounting to KD 25,000 for the financial year ended March 31, 2018.

The Shareholders' Extraordinary General Assembly held on July 26, 2018 approved the Board of Directors' proposal to reduce the share capital by 5.9% amounting to KD 1,528,372 that will be KD 24,000,000 and distribute this reduction to the Shareholders.

The Shareholders' Annual General Assembly held on July 24, 2017 approved the distribution of cash dividends of 5 fils per share amounting to KD 1,262,925 and to distribute Board of Directors' remuneration amounting to KD 25,000 for the financial year ended March 31, 2017.

20. Basic and diluted earnings per share attributable to shareholders of the Parent Company

There are no potential dilutive ordinary shares. Basic and diluted earnings per share is computed by dividing the profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding during the year:

	<u>2019</u>	<u>2018</u>
Profit for the year attributable to shareholders of the Parent Company	<u>2,984,153</u>	<u>2,166,147</u>
	<u>Shares</u>	<u>Shares</u>
Number of shares at beginning of the year	<u>244,857,291</u>	255,283,718
Less: weighted average number of treasury shares	<u>(2,449,499)</u>	<u>(2,693,480)</u>
Weighted average number of shares outstanding	<u>242,407,792</u>	<u>252,590,238</u>
	<u>Fils</u>	<u>Fils</u>
Basic and diluted earnings per share attributable to shareholders of the Parent Company	<u>12.31</u>	<u>8.58</u>

As there are no dilutive instruments outstanding, basic and diluted earnings per share attributable to shareholders of the Parent Company are identical.

21. Memorandum accounts off the consolidated statement of financial position

The Parent Company manages investment portfolios for others amounting to KD 2,058,205,665 as at March 31, 2019 (2018: KD 1,433,807,907) to earn management fees. These investment portfolios are registered in the name of the Parent Company and are not accounted in the accompanying consolidated financial statements.



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### 22. Segment information

The Group is divided into operating segments for managing its business activities based on internal reporting provided to the chief operating decision maker as follows:

- Investment activities: Direct investment for the Group's benefit in securities, portfolios and funds
- Asset management services: Portfolio and Fund management services for clients
- Lending activities: Direct lending to others and acting as a broker in lending and borrowing activities.
- Real estate activities: Investment in real estate and managing real estate portfolios.

	For the year ended March 31,				
	2019		(Restated) 2018		
	Investment activities	Asset management services	Lending activities	Real estate activities	Total
Segment operating revenue	2,283,429	2,207,939	-	1,033,898	5,525,266
Segment operating expenses	(1,048,315)	-	-	(71,382)	(1,119,697)
Unallocated operating expense					(1,579,788)
Operating profit					2,825,781
Group's share of results from associates					541,129
Loss on sale of investment properties					(909)
Impairment losses on investment properties					(16,125)
Net provision for expected credit losses					(78,370)
(charged) no longer required					(56,527)
Provision for loans granted to others					24,254
(charged) no longer required					(231,525)
Other income					(17,102)
Foreign exchange loss					-
Contribution to KFAS					(6,449)
NLST					-
Zakat					-
Board of Directors' remuneration					-
Profit for the year					2,984,157
Other information					
Segment assets	46,674,135	218,253	-	28,184,954	75,077,342
Investment in associates	-	-	-	-	26,498,156
Investment in unconsolidated subsidiaries	-	-	-	-	1,041,126
Unallocated assets	-	-	-	-	365,388
Total assets					102,982,012
Segment liabilities	42,683,925	-	-	-	42,683,925
Unallocated liabilities	-	-	-	-	4,265,396
Total liabilities					46,949,321
Investment activities	780,595	2,711,577	-	1,192,825	4,684,997
(1,299,173)	-	-	-	(50,959)	(1,350,132)
					(1,338,264)
					1,996,601
					1,028,878
					(783,559)
					-
					43,814
					1,357
					17,605
					(95,235)
					(7,691)
					(9,096)
					(2,163)
					(25,000)
					2,165,511
Asset management services	42,665,666	34,846	56,527	33,091,259	75,848,298
	-	-	-	-	26,283,884
	-	-	-	-	820,525
	-	-	-	-	1,392,851
					104,345,558
Investment activities	51,530,333	-	-	-	51,530,333
	-	-	-	-	3,983,865
					55,514,198

**23. Related party disclosures**

The Group has entered into various transactions with related parties concerning financing and other related services. Prices and terms of payment are approved by the Group's management. Significant balances and transactions with other related parties are as follows:

	2019	2018
<b>(i) Consolidated statement of financial position</b>		
Cash at banks	12,365,720	11,876,510
Accounts receivable and other debit balances (Note 4)	-	596,314
Loans granted to others	-	56,527
Loans (Note 10)	28,281,509	37,530,333
Loans from related parties (Note 11)	14,402,416	14,000,000
Accounts payable and other credit balances (Note 12)	1,465,068	1,098,684
<b>(ii) Consolidated statement of profit or loss</b>		
Interest income	179	166
Finance charges	(1,048,315)	(1,299,173)
<b>(iii) Compensation to key management personnel</b>		
Short-term benefits	376,991	333,452
Termination benefits	25,625	24,063
Committees remuneration	50,000	25,000

The related party transactions are subject to approval by the shareholders of the Parent Company in the Annual General Assembly.

**24. Financial risk management**

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, financial assets at FVTPL, receivables, loans granted to others, financial assets at FVOCI, loans, loans from related parties and payables and as a result, it is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

**a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge a contractual obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, receivables and loans granted to others. The Group's cash at banks are placed with high credit rating financial institutions. Receivables and loans granted to others are presented net of allowance for doubtful debts.

Trade receivables

The Group applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, trade receivables have been assessed on a collective basis respectively and grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profile over the past 48 months or ageing profile of customers over the past 3 to 5 years before March 31, 2019 as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off (i.e. derecognized) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery and therefore is considered as credit impaired.

Cash at banks

The Group's cash at banks measured at amortized cost are considered to have a low credit risk and the loss allowance is based on the 12 months expected loss. The Group's cash are placed with high credit rating financial institutions with no recent history of default. Based on management's assessment, the expected credit loss impact arising from such financial assets are insignificant to the Group as the risk of default has not increased significantly since initial recognition.

Loans granted to others

The policy of the Group for calculation of the impairment provisions for loans granted to others complies in all material respects with the specific provision requirements of the Central Bank of Kuwait ("CBK") and the Capital Markets Authority ("CMA"). Accordingly, provision for credit losses on credit facilities is the higher of ECL under IFRS (9), determined in accordance with the CBK guidelines, and the provisions required by the CBK rules on classification of credit facilities and calculation of their provisions. Accordingly, the Parent Company has provided a full provision against the outstanding balance of the loans granted to others during the year ended March 31, 2019.

**The Group's maximum exposure arising from default of the counter-party is limited to the following:**

	<b>2019</b>	<b>2018</b>
Cash on hand and at banks	<b>13,327,703</b>	13,065,304
Accounts receivable and other debit balances	<b>583,641</b>	1,427,697
Loans granted to others	-	56,527
Debt instruments at amortized cost	-	3,000,000
	<b>13,911,344</b>	<b>17,549,528</b>

**b) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in bank deposits or other investments that are readily realizable.

**(i) Liquidity risk management process**

The Group's liquidity management process, as carried out within the Group includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements.
- Managing the concentration and profile of debt maturities.

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The maturity profile of assets and liabilities of the Group as at March 31 was as follows:

<b>2019</b>	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash on hand and at banks	13,327,703	-	-	-	-	13,327,703
Financial assets at FVTPL	3,987,802	-	-	-	-	3,987,802
Accounts receivable and other debit balances	294,808	15,483	273,350	-	-	583,641
Financial assets at FVOCI	22,149,202	-	-	7,209,428	-	29,358,630
Investment in associates	-	-	-	26,498,156	-	26,498,156
Investment in unconsolidated subsidiaries	-	-	-	1,041,126	-	1,041,126
Investment properties	-	-	-	19,178,217	9,006,737	28,184,954
	<u>39,759,515</u>	<u>15,483</u>	<u>273,350</u>	<u>53,926,927</u>	<u>9,006,737</u>	<u>102,982,012</u>
<b>Liabilities</b>						
Loans	-	-	-	28,281,509	-	28,281,509
Loans from related parties	-	-	500,000	13,902,416	-	14,402,416
Accounts payable and other credit balances	441,510	758,060	2,285,297	780,529	-	4,265,396
	<u>441,510</u>	<u>758,060</u>	<u>2,785,297</u>	<u>42,964,454</u>	<u>-</u>	<u>46,949,321</u>
<b>2018 (Restated)</b>						
<b>Assets</b>						
Cash on hand and at banks	13,065,304	-	-	-	-	13,065,304
Financial assets at FVTPL	1,915,904	-	-	-	-	1,915,904
Accounts receivable and other debit balances	84,877	124,500	1,218,320	-	-	1,427,697
Loans granted to others	-	-	56,527	-	-	56,527
Financial assets at FVOCI	16,438,003	-	-	8,246,455	-	24,684,458
Investment in associates	-	-	-	26,283,884	-	26,283,884
Investment in unconsolidated subsidiaries	-	-	-	820,525	-	820,525
Debt instruments at amortized cost	3,000,000	-	-	-	-	3,000,000
Investment properties	-	-	-	23,322,181	9,769,078	33,091,259
	<u>34,504,088</u>	<u>124,500</u>	<u>1,274,847</u>	<u>58,673,045</u>	<u>9,769,078</u>	<u>104,345,558</u>
<b>Liabilities</b>						
Loans	-	-	-	37,530,333	-	37,530,333
Loans from related parties	-	-	-	14,000,000	-	14,000,000
Accounts payable and other credit balances	400,249	401,400	-	3,182,216	-	3,983,865
	<u>400,249</u>	<u>401,400</u>	<u>-</u>	<u>54,712,549</u>	<u>-</u>	<u>55,514,198</u>

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rate, foreign exchange rates and equity prices as indicated below:

**i) Interest rate risk**

Financial instruments are subject to the risk of changes in value due to changes in the level of interest. The effective interest rates and the periods in which interest-bearing financial assets and liabilities are repriced or mature are indicated in the respective notes.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss (through the impact on floating rate borrowings).

Year	Increase / (Decrease) in interest rate	Balance on March 31 KD	Effect on consolidated statement of profit or loss
<b>2019</b>			
Loans	+ 50 basis points	28,281,509	+ 141,408
Loans from related parties	+ 50 basis points	14,402,416	+ 72,012
<b>2018</b>			
Loans	+ 50 basis points	37,530,333	+ 187,652
Loans from related parties	+ 50 basis points	14,000,000	+ 70,000

**ii) Foreign currency risk**

The Group incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The Group may reduce its exposure to fluctuations in foreign exchange rates through the use of derivative financial instruments. The Group ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange between, other currencies and Kuwaiti Dinar.

Currency	Change in foreign currency rate	Effect on consolidated statement of profit or loss
<b>2019</b>		
US Dollar	±5%	+6
Qatari Riyal	±5%	+164
Saudi Riyal	±5%	+(37,739)
Tunisian Dinar	±5%	+46,479
Euro	±5%	+36
Morocco Dirhams	±5%	+226
<b>2018</b>		
US Dollar	±5%	+2,891
Qatari Riyal	±5%	+162
Saudi Riyal	±5%	+(37,593)
Tunisian Dinar	±5%	+57,952
Euro	±5%	+39
Morocco Dirhams	±5%	+237

**iii) Equity price risk**

Equity price risk is the risk that fair values of equity instruments decrease as the result of changes in level of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment in equity securities classified as financial assets at FVTPL and financial assets at FVOCI. To manage such risks, the Group diversifies its investments in different sectors within its investment portfolio.

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these investments, to which the Group had significant exposure at March 31:

Market index	2019			2018		
	Change in equity price %	Effect on consolidated statement of profit or loss	Effect on other comprehensive income	Change in equity price %	Effect on consolidated statement of profit or loss	Effect on other comprehensive income
Boursa Kuwait	±5%	± 199,390	± 1,107,460	±5%	± 95,795	± 821,900

**25. Fair value measurement**

The Group measures its financial assets such as financial assets at FVTPL and financial assets at FVOCI at fair value at each reporting period.

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.

All financial instruments 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: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at March 31:

<b>2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Financial assets at FVTPL	3,987,802	-	3,987,802
Financial assets at FVOCI	22,149,202	7,209,428	29,358,630
<b>Total</b>	<b>26,137,004</b>	<b>7,209,428</b>	<b>33,346,432</b>
<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
Financial assets at FVTPL	1,915,904	-	1,915,904
Financial assets at FVOCI	16,438,003	8,246,455	24,684,458
<b>Total</b>	<b>18,353,907</b>	<b>8,246,455</b>	<b>26,600,362</b>

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At March 31, the fair values of financial instruments approximate their carrying amounts. The management of the Group has assessed that fair value of financial instruments approximates their carrying amounts largely due to the short-term maturities of these instruments.

During the year, there were no transfers between Level 1, Level 2 and Level 3.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the 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.

**26. Capital risk management**

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return paid up capital to shareholders, issue new shares, sell assets to reduce debt, repay loans or obtain additional loans.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash on hand and at banks. Total capital is calculated as total 'equity' as shown in the consolidated statement of financial position plus net debt.

For the purpose of capital risk management, the total capital resources consist of the following components:

	<b>2019</b>	<b>(Restated) 2018</b>
Loans	<b>28,281,509</b>	37,530,333
Loans from related parties	<b>14,402,416</b>	14,000,000
Less: cash on hand and at banks	<b>(13,327,703)</b>	(13,065,304)
Net debt	<b>29,356,222</b>	38,465,029
Total equity	<b>56,032,691</b>	48,831,360
<b>Total capital resources</b>	<b>85,388,913</b>	87,296,389
<b>Gearing Ratio</b>	<b>34.38%</b>	44.06%

**27. Prior year adjustment**

The comparative consolidated statement of financial position as at March 31, 2018 and the comparative consolidated statement of changes in equity for the year ended March 31, 2018 have been restated in accordance with IAS 8: "Accounting policies, changes in accounting estimates and errors" to correct the carrying value of the Group's investment in the associate, Kuwait Saudi Pharmaceutical Industries Company S.A.K. (Closed) ("KSPI").

The change in carrying value is due to reassessment of Expected Credit losses for the trade receivables of KSPI. This resulted in an increase in ECL and accordingly decrease in the carrying value of the Group's investment in KSPI as at March 31, 2018 by KD 954,403.

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The effect of the restatement is as follows:

**Consolidated statement of financial position:**

<u>Category</u>	<u>Amounts as per 2018 consolidated financial statements</u>	<u>Amount restated</u>	<u>Amounts as per 2019 consolidated financial statements</u>
Investment in associates	27,238,287	(954,403)	26,283,884
Retained earnings	1,728,014	(954,403)	773,611