SENERGY®
Holding

شركة سنرجى القابضة ش.م.ك عامة

Senergy Holding K.S.C.P

2019 Annual Report

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TRANSFORMATION 3x3

بسم الله الرحمن الرحيم

www.senergyholding.com

Senergy Holding Company K.S.C.P.

Company listed on the Kuwait Stock Exchange

Hawalli - Al-Safat Tower - Beirut Street - Opposite Al-Qadessya Club

Tel.: 22675000 Fax: 22675346

H.H. SHEIKH
SABAH AL-AHMAD AL-JABER AL-SABAH
Amir of the State of Kuwait

H.H. SHEIKH
Sabah Khaled Al-Hamad Al-Sabah
Prime Minister of the State of Kuwait

H.H. SHEIKH
NAWAF AL-AHMAD AL-JABER AL-SABAH
Crown Prince of the State of Kuwait

Our Vision

To be a regional leader in the Energy Services sector.

Index

SENERGY®

Holding

Board of Directors

Mr. Nasser Bader Al-Sharhan
Vice Chairman of the Board of Directors

Mr. Mohammed Hamad Al-Salem
Chief Executive Officer

Mr. Ali Hussain Al-Moussa
Board Member

Mr. Malik Maher Maarafi
Board Member

Mr. Ahmed Fathi Abu Zaid
Board Member

Mr. Malik Mostafa Humoud
Board Member

Chairman's Message

Esteemed Shareholders

May Allah's peace, mercy and blessings be upon you!

I am pleased and honored to have the opportunity to meet with you today and welcome you, for myself and on behalf of my colleagues on the Board of Directors, in order to report to you on the Company's financial results and activities for the financial year ended on 31 December 2019.

Senergy Holding Company remains committed to investing in the oil and gas sector in the State of Kuwait, the Middle East and North Africa, within the framework of its efforts to achieve optimum returns to its shareholders while seeking to ensure the continuity of providing services of the highest quality to all its customers in total conformity with security and safety standards, in line and conformity with our strategy and strict adherence to our operating and financial strategy and objectives for most economic studies and expectations continue to indicate that oil and gas will remain the world's essential source of energy for many years to come.

Over the past five years, the Company focused on strengthening its contract with Kuwait Oil Company, while continuing to qualify for operating in other markets of the region with a view to ensuring achievement of steady financial returns and cash flows and firm growth in the medium and long term.

Existing Contracts

Despite political instability in a number of the Company's countries of operation, with direct impact on the expected volumes of business during the year 2020, we continued to focus on our basic points of strength, and have, with the grace of Allah Almighty, achieved several remarkable achievements, mainly the following:

- Our subsidiary, National Eastern Oil Services Company continued to perform its new contract with Kuwait Oil Company since July 1st 2019. The contract's duration is five years and is for KD 11.3 million. Although the amount of the awarded contract is considerably lower than what had been expected, it has increased the number of drilling equipment designated for the Company, which has opened new business horizons by expanding its operations into new countries (Oman and the Province of Kurdistan), and expanding the scope of its services (oil well boring and inspection services for Kuwait Oil Company).
- Our subsidiary, Eastern Oil Well Inspection Services Company increased its market share in the Republic of Pakistan amid tough competition. This has reflected positively on the company's financial results.
- The subsidiary company, Gulf International General Trading and Contracting Company, has appointed a number of highly professional personnel with extensive experience in the oil services sector, who promote its customer service capabilities in the State of Kuwait given the Company's long history and strong business record in this sector.

Five-Year Strategic Plan

In December 2019, Senergy Holding Company, by commissioning an international consulting company with a world-class reputation, started preparing a strategic plan with a view to setting its business compass toward the most feasible direction, in order to be able to benefit from the expected growth of the markets of Kuwait, the Middle East and North Africa in the coming years.

Part of this plan involves limiting and mitigating the risks that may arise from market turbulence and the uncertainty associated with such changes. The company will draw advance plans for actions designed to mitigate the impact of emergencies. We believe that finding the right balance between our core business and non-essential operations will be a focal and strategic development in our future development plan.

Our Plan for 2020

The COVID-19 pandemic has had disastrous effects on all sectors worldwide since the beginning of the year 2020. The energy sector has been one of the sectors deeply affected, with a sharp fall in crude oil prices. Uncertainly in the oil and gas sector is now expected to continue during the year 2020. Senergy Holding Company will make every possible effort to mitigate and limit the impact of this decline until market conditions improve, while always seeking to protect the health and safety of its employees and customers during the pandemic.

We will continue to focus on providing high quality services to our customers by developing our business standards, improving the experience of our personnel, investing in the development and diversification of our service portfolio and customer base through strict implementation of our new strategic plan and focusing on improving our operating cash flows in order to achieve higher returns. With Allah's grace, implementing the Company's new strategy will bring remarkable changes, for we will focus on promoting the Senergy brand and modify the Company's organization structure.

Over the past years, Senergy Holding Company and its subsidiaries have built a strong reputation, and our employees are at the core of this reputation. Indeed we attribute our success to the continuous dedication of our employees and their firm commitment to providing first-class services to all our customers. In turn, we seek to provide our employees with the tools they need to achieve success and excellence in a challenging environment, by ensuring that they are provided with safe working conditions.

We are certain that the existence of a strategic plan reflects the united vision of our work team, supported by a remarkable enthusiasm and initiative. With the grace of Allah Almighty, this will lead the company to profitability and enable it to realize its ambitions according to the adopted plan.

Financial Indicators

The decline of the Company's results and the losses amounting to KD 4.77 million incurred in 2019, compared to a loss of KD 534,000 in 2018, is attributed to a KD 4.2 million decline of the "goodwill".

The Company's sales in 2019 declined to KD 2.7 million from KD 2.9 million in 2018. On the other hand, the cost of sales fell from KD 2.5 million to KD 2.3 million. The Company's current assets amounted to KD 7.1 million, representing 2.63 times the amount of current liabilities of KD 2.7 million, while total assets amounted to KD 15.7 million compared to KD 20.1 million at the end of 2018, total liabilities stood at KD 3.5 million against KD 2.9 million in 2018, and shareholder equity was KD 9.96 million compared to KD 14.77 million in 2018. The company does not have any debt liabilities toward any financing entities.

There are several legal cases related to parent companies and subsidiaries. Management has followed up these cases. Until the time of this report there are no probable liabilities related to those cases.

In brief, the Company has prepared a strategic study for the coming five years. The Company will focus on our human and material resources in the coming phases in order to implement this strategy and find the right balance between our core and non-core business to ensure the success of the plan and improve our cash flows, with positive results for shareholders equity.

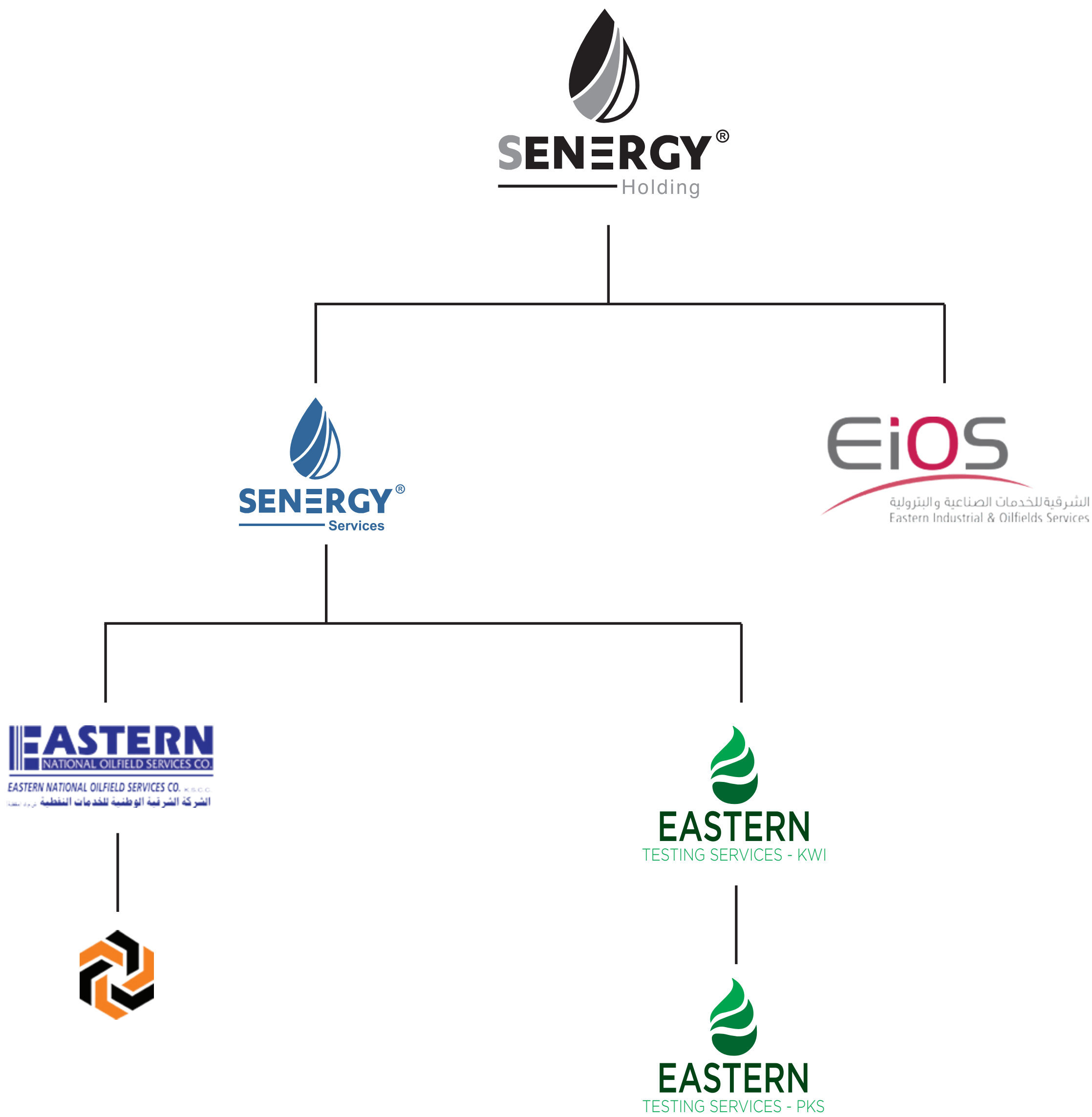
In conclusion, for myself and in the name of my colleagues on the Board of Directors, I would like to express our deepest thanks and sincere appreciation of your continuous confidence and support. We pray to Allah Almighty to guide our efforts in the service of our dear country, Kuwait, under the leadership of His Highness the Amir, may Allah protect him.

Allah is the provider of good fortune,,,

Nasser Bader Al-Sharhan
Deputy Chairman

SENERGY® Holding

Group of Senergy Holding Affiliated Companies



Senergy Holding in Brief

Senergy Holding is a holding company listed on the Kuwait Stock Exchange with paid up capital 20,000,000 million KD specializing in energy operations and works with its group to support the energy sector in the region.

During a very short period of time, Senergy Holding was able to establish itself as one of the recognized oil services providers. Also, SHC was able to acquire majority shares in many long established companies in the region, a step very important in the road to achieve the company's vision of becoming

"a regional leader in the Energy Services Sector"

About our subsidiaries:

1. Senergy Services for Energy Services Company K.S.C (closed) (Kuwait - Owned 95.87%).

Founded in 2002 with a capital of 9.455 million KD. Providing services associated with the activities of oil wells and maintenance, as well as providing services related to energy (electricity and water) in the sector. The company is classified with the Central Tendering Committee and provides miscellaneous services in various countries in the region.

2. Eastern National Oil Field Services (Kuwait - Owned 86.71%).

Founded in 2004. Specializing in Wireline logging, working primarily in Iraq & Pakistan with plans to expand in the region.

3. Eastern Testing (Pakistan - Owned 70%).

Founded in 2009, specializing in providing testing services.

4. Gulf International General Trading & Contracting Co (Kuwait - Owned 86.71%).

The Group's representative arm specializing in obtaining commercial agencies for services and equipment needed by the Group.

5. Eastern Industrial & Petroleum Holding (Bahrain- Owned 100%).

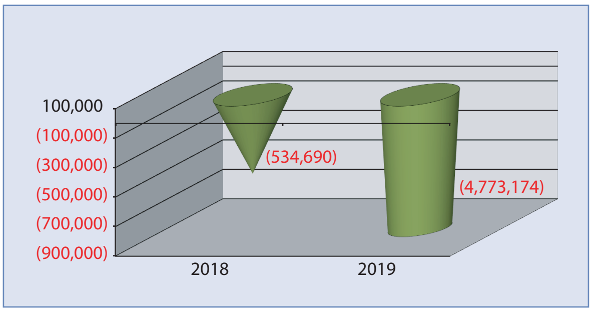
Founded in early 2008, currently the company is not operating and the parent company is evaluating the liquidation of the company.

Financial Indicators

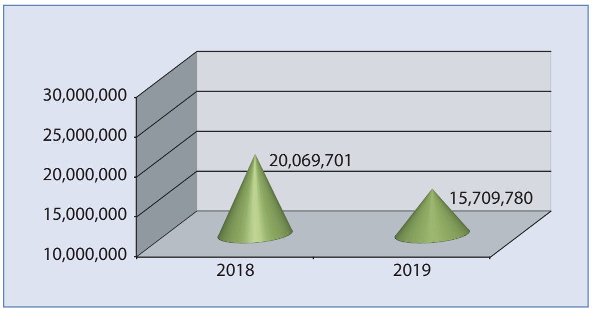
Senergy Holding K.S.C. (PUPLIC)
MAJOR FINANCIAL INDEXES AS OF 31/12/2019

DETAILS	2018	2019
TOTAL ASSETS	20,069,701	**15,709,780**
NET PROFIT / (LOSS)	(534,690)	**(4,773,174)**
TOTAL SHAREHOLDERS EQUITIES	14,768,432	**9,956,861**
SHARE BOOK VALUE (FILLS)	74	**50**
EARNING PER SHARE (FILLS)	(2.68)	**(23.90)**

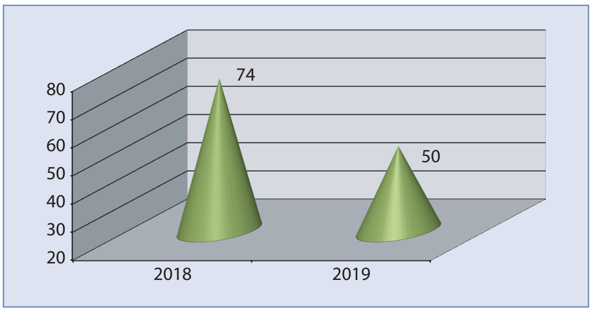
Growth in Profit (loss)



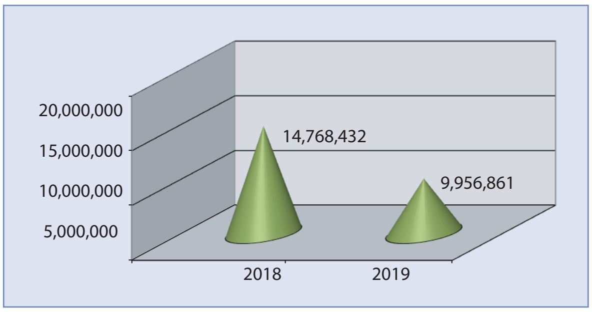
Growth in Assets



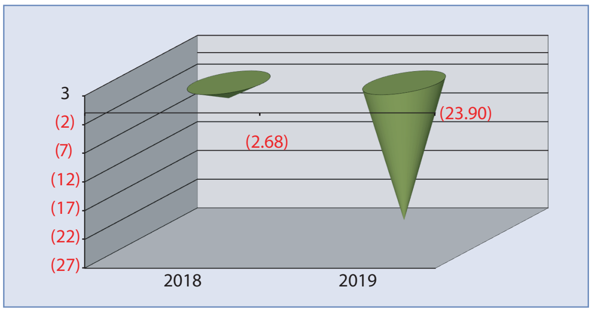
Book value per Share (Fils)



Shareholders Equity



Earning Per Share (Fils)



The Sharia Report of Senergy Holding Co. Fatwa and Shariah Supervisory Board

All praise is due to Allah alone, prayers and peace be upon the last Prophet, his Relatives, Companions and whoever follows them righteously to the Day of Judgment. To proceed;

To Shareholders

Senergy Holding Co.

Hawalli - State of Kuwait

Shari'ah Compliance Report

We have audited the contracts and the transactions executed by Senergy Holding Co. (The Company) and its subsidiaries (hereinafter collectively referred to as the "Group") during the financial year ended on 31/12/2019 to express an opinion about the extent of the company's compliance with the rules of Shari'ah as per the Shari'ah decisions issued from the Shari'ah Supervisory Board of the company (SSB) and Shari'ah standards issued from the Shari'ah Board for Accounting and Auditing Islamic Financial Institutions (AAOIFI) and decisions of Shariah references accepted by us.

Management's Responsibility for Shari'ah Compliance

Company's management is responsible to ensure that the financial arrangements, contracts and transactions having Shari'ah implications, entered into by the company with its customers, other financial institutions and stakeholders and related policies and procedures are, in substance and in their legal form, in compliance with the requirements of Shari'ah principles and rules. The management is also responsible for design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant accounting records.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Accountants and Auditors issued by AAOIFI as well as the Code of Ethics for Professional Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality Control (ISQC) 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility and Summary of the Work Performed

Our responsibility in connection with this engagement is to express an opinion on compliance of the company's financial arrangements, contracts, and transactions with Shari'ah principles and rules, in all material respects, for the year ended 2019 based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 'Assurance Engagements other than audits or reviews of historical financial statements', issued by the International Auditing and Assurance Standards Board and the Auditing Standard for Islamic Financial Institutions (ASIFI) 6 "Independent Assurance Engagement on an IFI's Compliance with Shari'ah Principles and Rules (External Shari'ah Audit)", issued by AAOIFI. These standards require that we plan and perform this engagement to obtain reasonable assurance about whether the company's financial arrangements, contracts, and transactions are compliant with Shari'ah principles and rules in all material respects. The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the Shari'ah principles and rules. In making those risk assessments, we considered and tested the internal control relevant to the IFI's compliance with the Shari'ah principles and rules in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. In this connection, we have also reviewed the work carried out by the internal Shari'ah review / audit function and the internal audit function, as well as the Shari'ah reviews carried out under the supervision of the Shari'ah Supervisory Board. We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Shari'ah principles and rules. In performing our audit procedures, necessary guidance on Shari'ah matters was provided by the subject matter (Shari'ah) expert(s) referred above. We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our opinion.

We conduct a professional evaluation and we keep a professional doubt throughout the auditing period and we do the following:

(a) Specify and evaluate the legal non-compliance risks, design and perform the auditing procedures to comply with these risks, get sufficient and suitable auditing proofs to be the basis to give our opinion.

(b) Form understanding about the internal legal control system related to the auditing process in order to design suitable auditing procedures within the current circumstances, not for giving an opinion about the effectiveness of the internal legal control system of company.

(c) Review and check the following contracts and transactions:

- Financial statements of company and its attachments
- Signed contracts within year
- Investment operations during year
- Reports submitted to supervisors and internal audit reports
- Judicial sentences issued during year
- Charity fund (purification account)

(d) In order to achieve our duties, we liaised with the company management and performed the field auditing on the following dates: 1- 4 of June 2020.

Opinion,

In our opinion, all contracts and transactions executed by Senergy Holding Co. and its subsidiaries (Group) within the financial year ended on 31/12/2019 were executed in compliance with the Shari'a rules and principles accepted by us.

Allah's peace, mercy and blessings be upon you.

Shari'a Supervisory Board

Kuwait, 4/6/2020

Dr. Abdulbari Mashal	**Sheikh Mohammad F. Al-Bader**	**Dr. Mohamed Al Abed**
SSB Chairman	SSB Member	SSB Member

Audit Committee Report for 2019

Within the framework of applying good governance rules in the company, the Board of Directors has formed an independent Board committee called the Audit Committee in order to enable it to perform its related tasks effectively; in particular, to oversee and audit the accounts and financial statements of the company to ensure their soundness and integrity, as well as to ensure the adequacy and effectiveness of the internal control systems applied in the company.

This committee operates according to a charter approved by the Board of Directors. The charter specifies the Committee's term, its powers, tasks, and responsibilities, and how the Board controls its work, according to the following:

The Audit Committee		
The date of formation of the Committee and its Term	21 June 2017 - the term of membership - is the same as the term of the Committee members' membership on the Board of Directors.	
The number of meetings held by the committee during the year	Five (5) meetings	
Formation of the Committee: On 2019/06/20, the formation of the committee was changed as follows:	Former Committee Members Mr. Malik Maher Marafi – Chairman Mr. Abdulrazzaq Zaid Aldabyan Mr. Hassan Hashem Sayed Almousawi	Current Committee Members Mr. Malik Maher Marafi – Chairman Mr. Ahmed Fathi Abuzaid Mr. Malik Mustafa Hammoud
The Main Tasks and Responsibilities of the Committee	• To review the quarterly and annual financial statements and make necessary recommendations in their regard before they are submitted to the Board of Directors. • To recommend to the Board of Directors to appoint, reappoint or change the external auditor and determine their fees, after ensuring their independence and reviewing their letters of appointment. • To evaluate the adequacy of the internal control systems applied within the company and make the necessary recommendations in their regard to the Board of Directors. • To undertake technical supervision of the company's internal audit department. • To review and approve the internal audit plans proposed by the internal auditor, in addition to reviewing the results of the internal audit reports and ensuring that the necessary measures are taken in this regard. • To review the results of the reports of the regulatory authorities and ensure that the necessary measures are taken in this regard. • To ensure that the company complies with relevant laws, policies, regulations, and instructions.	

The Key Tasks Performed by the Committee during the Year	• Recommending to the Board of Directors to appoint the company's external auditors for the year ended on 31 December 2019. • Reviewing the internal audit reports of the following departments: Human Resources and Administration Affairs Department, Financial and Accounting Department, Corporate Governance and Compliance. • Reviewing the quarterly and annual financial statements and submitting them to the Board of Directors. • Reviewing the report on evaluating the quality of the internal audit work. • Evaluating the work of the internal audit unit. • Preparing a report on the performance of the Audit Committee in 2019. • Evaluating the work of the Audit Committee (self-evaluation). • Evaluating the meetings of the Audit Committee for the year 2020.

The company has an internal audit unit in the organizational structure (a third party) for the company. The unit is independent as it reports to the Audit Committee and, therefore, to the Board of Directors. For performing the internal audit function, the company employs the services of a specialized third party to carry out the relevant tasks. The third party reviews and evaluates the internal control systems in place within the company according to the policies adopted by the Board of Directors and the internal audit plans approved by the Audit Committee. It also prepares the necessary periodic reports in this regard and presents them to the Audit Committee.

An independent audit office - other than the audit office charged with evaluating and reviewing internal control systems - is assigned to review and evaluate the performance of the Company's internal audit every three years, and a copy of this report is provided to both the Audit Committee and the Board of Directors.

The company adopts a set of internal control and monitoring systems that cover all the activities of the company through the preparation and approval of a set of structures, policies and procedures that aim to define powers and responsibilities and the separation of tasks.

The Board of Directors examines the internal control systems through the reports submitted by the committees and the control jobs in the company.

In addition, an independent audit office is tasked with evaluating and reviewing the internal control systems and preparing a report in this regard, and a copy of this report is provided to both the Audit Committee and the Board of Directors.

The committee held regular meetings with the external auditor and the company's internal auditor without the presence of the executive management.

We would like to note that there is no contradiction between the recommendations of the Audit Committee and the decisions of the Board of Directors.

Allah is the Arbiter of Success!

Malek Maher Maarafi
Chairman of the Audit Committee

SENERGY®

Holding

Senergy Holding (K.S.C.P) and its subsidiaries

(Previously Safat Energy Holding Company K.S.C.P and its subsidiaries)

State of Kuwait

Governance Report

For the year ended 31 December 2019

Index

Corporate Governance Report for 2019

Company profile:

Senergy Holding Company KSCP (Closed) was established in the State of Kuwait on March 22, 1983 and the company's shares were listed on the Boursa Kuwait in 1987 in accordance with the Companies Law and based on the decision of the Extraordinary General Meeting held on April 7, 2016, the shareholders agreed to change the company name from Al Safat Energy Holding Company K.S.C.P. to Senergy Holding Company K.S.C.P.

According to the decision of the Extraordinary General Meeting held on May 15, 2007, the company operates in accordance with Islamic Sharia. The main activities in accordance with the Memorandum of Association of the company are as follows:

- Owning shares of Kuwaiti or foreign joint stock companies, as well as owning shares or parts in Kuwaiti or foreign limited liability companies, and participating in founding, administering, lending and sponsoring these companies.
- Lending companies under its ownership or under others' sponsorship, provided that the company's participation share in the capital of these companies is not less than at least 20% .
- Owning industrial property rights such as patents, industrial trademarks, industrial fees, or any other related rights, and leasing them to other companies for use, either inside or outside Kuwait.
- Owning the movables and real estate necessary to start its activity as permitted by law.
- Using the financial surpluses available to the company by investing them in financial portfolios managed by specialized companies.

The company's business office is located in Hawalli, Beirut Street, the headquarters of Al Safat Group, floor 7, P.O 27728 Safat, 13138 State of Kuwait.

The authorized, issued and fully paid up capital is KWD 20,000,000, consisting of 200,000,000 shares, with a par value of 100 fils per share, and all shares are cash. The main shareholders of the company as of December 31, 2019 are as follows:

No.	Shareholder's name	Number of Shares	Percentage
1	Gulf Bank – Customers 3003	39,798,016	19.899
2	Al Safat Investment Company	33,645,991	16.823
3	KFH Capital Investment Company	15,314,563	7.657

Governance Framework for Senergy Holding Company K.S.C.P.

As the Board of Directors of Senergy Holding Company "The Company" realizes the importance of adherence to the rules of governance, its essential role and related practices, the company was keen to build a base on which the company's business is relied through the "Governance Manual" approved by the Board of Directors in order to enhance the confidence of shareholders, investors and all stakeholders.

The company also aspired to implement all instructions and rules issued by the Capital Markets Authority as a work culture in the company in order to enhance administrative efficiency, commitment to justice and transparency, and achieve the interests of the company and the shareholders. The Board of Directors is committed to the continuous implementation of initiatives calling for the development of governance principles in the interest of all relevant parties, and in a manner that enhances the levels of confidence of its shareholders and stakeholders.

The company considers the implementation of corporate governance principles an essential part of its operations, and the company works to keep up with developments in governance by reviewing and following up on developments in best practices to meet the challenges that arise in the rules of governance.

Implementation of Governance Rules

First Rule

Forming a Balanced Board of Directors

- **Forming Board of Directors:**

Name	Job	Member type (executive/ non-executive/ independent/ secretary)	Academic qualification and work experience	Date of election/ appointment of secretary
Mr. Nasser Bader Al-Sharhan	Vice Chairman	Non-executive	Bachelor of Political Sciences and Marketing	21/06/2017
Mr. Mohammed Hamad Al-Salem	Board Member and Chief Executive Officer	Executive	Bachelor of Electrical Engineering	11/06/2019
Mr. Malik Maher Maarafi	Board Member	Independent	Bachelor of Finance and Financial Institution	21/06/2017
Mr. Ali Hussain Al-Moussa	Board Member	Non-executive	Bachelor of Mechanical Engineering	20/06/2019
Mr. Ahmed Fathi Abu Zaid	Board Member	Non-executive	Bachelor of Administrative Sciences	27/05/2019
Mr. Malik Mostafa Humoud	Board Member	Non-executive	Bachelor of Electrical Engineering	27/05/2019
Mr. Nashaat Naeem Daghmash	Board Secretary	Secretary	Bachelor of Economy- Business Administration Division	21/06/2017

- The members of the Board of Directors were elected through the Ordinary General Meeting held on 21/06/2017 according to the rules of governance, taking into consideration that the majority of the members of the Board of Directors are non-executives.

- 4 Board members in addition to the Chairman of the Board resigned due to personal reasons.

- Mr. Mohammed Hamad Al-Salem was appointed as the CEO, instead of Mr. Nasser Bader Al Sharhan.

- Current board members have diverse experiences in various fields to enhance efficiency in decision making.

- **Board Meetings during 2019**

Member	Meeting no. 1/2019 on 25/03	Meeting no. 2/2019 on 12/05	Meeting no. 3/2019 on 27/05	Meeting no. 4/2019 on 11/06	Meeting no. 5/2019 on 17/06	Meeting no. 6/2019 on 20/06	Meeting no. 7/2019 on 7/08	Meeting no. 8/2019 on 22/09	Meeting no. 9/2019 on 11/11	Meeting no. 10/2019 on 23/12	No. of meetings
Talal Zain Al-Hathal (Chairman of the Board)	✓	✓	✓	✓	✓	✓	✓	✓	Resignation		8
Nasser Bader Al-Sharhan (Vice Chair)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
Abdulrazzaq Zaid Al-Dhabian (Board Member)	✓	✓	✓	✓	Resignation						4
Ahmed Mahmoud Al-Yahya (Board Member)	✓	×	✓	✓	Resignation						3
Malik Maher Maarafi (Board Member)	×	✓	✓	✓	✓	✓	×	✓	✓	✓	8
Hassan Hashim Sayed Al-Mosawy (Board Member)	✓	✓	Replacement								2
Mohammed Hamad Al-Salem (CEO)	Not a member during this period					✓	✓	✓	✓	✓	5
Ali Hussain Al-Moussa (Board Member)	Not a member during this period					✓	✓	✓	✓	✓	4
Ahmed Fathi Abu Zaid (Board Member)	Not a member during this period		✓	✓	✓	✓	✓	✓	✓	✓	8
Malik Mostafa Humoud (Board Member)	Not a member during this period		✓	✓	✓	✓	✓	✓	✓	✓	8
Bassam Mohamed Taleb Waheedi (Board Member)	×	×	Resignation								0

- **Recording, coordinating, and archiving the Board meetings minutes:**

The company appointed the Secretary of the Board of Directors, Mr. Nashaat Naeem Daghmash, and he was entrusted with the duties of writing down the Board meetings minutes which include discussions and deliberations that took place during the meetings and decisions that were taken and reservations (if any), and these records shall be signed by him and by all attendees.

The Secretary of the Board of Directors has also prepared a special record in which the minutes of the meetings are recorded in sequence numbers for the year in which the meetings were held, indicating the location of the meeting, its date, start and end hours, so that it is easy to refer to those meetings minutes.

The minutes of meetings, records, reports and other documents submitted to and from the Board shall be kept with the Secretary.

The Secretary also ensures that the Board members follow the procedures approved by the Board, and ensures that the Board meetings' timings are notified at least three working days before the meeting, taking into account emergency meetings, in addition to ensuring that the Board members can have full and rapid access to the minutes of the meetings, information and documents related to the company. In addition, under the supervision of the Chairman of the Board, the secretary shall ensure the proper delivery and distribution of information and coordination among members of the Board and other stakeholders of the company.

Second Rule

Proper Determination of Duties and Responsibilities

- **The policy of tasks and responsibilities of each of the Board members and the executive management, as well as the powers and authorities delegated to the executive management:**

The Board of Directors shall assume all the powers and authorities necessary for the management of the company, and the powers, tasks and responsibilities of the Board shall be determined in the company's articles of association and in the corporate charter approved by the Board, taking into account the powers of the general meeting of the company.

"Board of Directors Corporate Charter"

The company has also clearly defined the tasks and responsibilities of each of the board members and the executive management in the approved policies, regulations and job descriptions, which reflects the balance of powers and the separation of tasks between the executive management and the Board of Directors.

In addition to the obligations of the Board of Directors, the Chairman of the Board of Directors shall be responsible for representing the company before others, and for the proper operation of the Board of Directors in an appropriate and effective manner, including obtaining complete and correct information by members of the Board in a timely manner, and encouraging constructive relationships and effective participation between each of the Board of Directors Executive management, in addition to other responsibilities.

The Board of Directors determines also the powers that are delegated to the executive management, taking into account the achievement of a balance in powers and authorities between both the Board and the executive management, in order to ensure the non-exclusivity of absolute powers in order to facilitate the process of accountability.

- **The most prominent works of the Board of Directors during the year, including but not limited to:**

- Approving the estimated budget for 2019.
- Approving the financial statements for the fiscal year ending on December 31, 2018.
- Recommendation of appointment of a company external auditor for the year ended December 31, 2019.
- Approving the interim financial information for the first, second and third quarter of 2019.
- Increasing the ownership share in Senergy Services for Energy Services KSCC (Subsidiary) from 94.578% to 95.874%
- Nominating of the members of the Board Committees.
- Discussing the offers submitted for preparing the company's strategic plan.
- Following up to the subsidiary companies' business and discussing the latest developments.
- Following up the affairs of the Board Committees.

- **The Board of Directors formed specialized committees enjoying independence:**

Within the framework of establishing good governance in the company, the Board of Directors formed three independent committees emanating from it on June 21, 2017 and these independent committees were reconstituted on June 20, 2019 in order to enable it to perform its duties effectively and to supervise the implementation of corporate governance in its various axes.

These committees committees operate in accordance with approved charters by the Board of Directors, clarifying the duration of its work, its powers, tasks and responsibilities, and how the Board monitors them, according to the following:

Committee of Nominations and Remunerations		
Date of forming the committee and its duration	21 June 2017 – duration of membership – is the same duration of membership in the Board	
Formation of the Committee on 20/06/2019, the formation of the committee was changed as follows:	**Former Committee** Mr. Ahmed Mahmoud Al-Yahya – Chairman Mr. Bassam Taleb Waheedy Mr. Nasser Bader Al-Sharhan	**New Committee** Mr. Nasser Bader Al-Sharhan – Chairman Mr. Malik Maher Maarafi Mr. Ahmed Fathi Mohamed Abu Zaid
Most significant committee works during the year	- Discussing the nomination of the company's CEO appointment. - Evaluating the work of the Nomination and Remuneration Committee (self-evaluation). - Discussing the remuneration report granted to members of the Board of Directors and Executive Management for 2019. - Electing of the Chairman of the Nomination and Remuneration Committee. - Appointing the Secretary of the Nomination and Remuneration Committee. - Performance report of the Nomination and Remuneration Committee.	

- **Number of meetings held by the Nominations and Remunerations Committee during the year: 3.**

Member's name	Meeting 1/2019 dated 08/01/2019	Meeting 2/2019 dated 24/11/2019	Meeting 3/2019 dated 30/12/2019
Former Committee			
Mr. Ahmed Mahmoud Al-Yahya – Chairman	✓	×	×
Mr. Bassam Taleb Waheedy	✓	×	×
Mr. Nasser Bader Al-Sharhan	✓	×	×
New Committee			
Mr. Nasser Bader Al-Sharhan – Chairman	✓	✓	✓
Mr. Malik Maher MAarafi	×	✓	✓
Mr. Ahmed Fathi Abu Zaid	×	✓	✓

Audit Committee		
Date of forming the committee and its duration	21 June 2017 – duration of membership – is the same duration of membership in the Board	
Formation of the Committee on 20/06/2019, the formation of the committee was changed as follows:	**Former Committee** Mr. Malik Maher Maarafi – Chairman Mr. Abdulrazzaq Zaid Al-Dhabian Mr. Hassan Hashem Sayed Al-Mosawy	**New Committee** Mr. Malik Maher Maarafi – Chairman Mr. Ahmed Fathi Mohamed Abu Zaid Mr. Malik Mustafa Humoud
Most significant committee works during the year	- Recommending to the Board of Directors to appoint the company's external auditors for the year ended on 31 December 2019. - Approving the internal audit reports for the following departments (Department of Human Resources and Administration Affairs, Financial Department and Accounting, Corporate Governance and Compliance). - Reviewing the quarterly and annual financial statements. - Reviewing the evaluation report of the quality of internal audit work. - Evaluating the work of the internal audit unit. - The audit committee performance report for the year 2019. - Evaluating the work of the audit committee (self-evaluation). - Evaluation of the audit committee meetings for the year 2020.	

Number of meetings held by the committee during the year: 5

Member's name	Meeting 1/2019 dated 18/03/2019	Meeting 2/2019 dated 05/05/2019	Meeting 3/2019 dated 01/08/2019	Meeting 4/2019 dated 07/11/2019	Meeting 5/2019 dated 31/12/2019
Former Committee					
Mr. Malik Maher Maarafi – Chairman	✓	✓	✓	✓	✓
Mr. Abdulrazzaq Zaid Al-Dhabian	✓	✓	×	×	×
Mr. Hassan Hashem Al-Mosawy	✓	✓	×	×	×
New Committee					
Mr. Malik Maher Maarafi– Chairman	√	√	√	√	√
Mr. Ahmed Fathi Abu Zaid	×	×	√	√	√
Mr. Malik Mustafa Humoud	×	×	√	√	√

Risk Management Committee		
Date of forming the committee and its duration	21 June 2017 – duration of membership – is the same duration of membership in the Board	
Formation of the Committee on 20/06/2019, the formation of the committee was changed as follows:	**Former Committee** Mr. Hassan Hashim Al-Mosawy – Chairman Mr. Ahmed Mahmoud Al-Yahya Mr. Malik Maher Maarafi	**New Committee** Mr. Nasser Bader Al-Sharhan – Chairman Mr. Ali Hussain Moussa Mr. Mohammed Hamad Al-Salem
Most significant committee works during the year	- Approving the committee's report for the year 2018 and submitting it to the Board of Directors. - Discussing the risks of change in the exchange rate of foreign currencies against the Kuwaiti dinar. - Evaluating the work of the Risk Committee (self-evaluation). - Electing the Chairman of the Risk Committee. - Discussing the appointment of the Secretary of the Risk Committee. - Discussing the risk register. - Reporting the performance of the work of the Risk Committee during 2019. - Evaluating the work performance of the risk unit.	

Number of meetings held by the Risk Management Committee during the year: 4

Member's name	Meeting 1/2019 dated 30/06/2019	Meeting 2/2019 dated 30/09/2019	Meeting 3/2019 dated 19/11/2019	Meeting 4/2019 dated 31/12/2019
Former Committee				
Mr. Hassan Hashim Al-Mosawy – Chairman	×	×	×	×
Mr. Ahmed Mahmoud Al-Yahya	×	×	×	×
Mr. Malik Maher Maarafi	×	×	×	×
New Committee				
Mr. Nasser Bader Al-Sharhan – Chairman	✓	✓	✓	✓
Mr. Ali Hussain Moussa	✓	✓	✓	✓
Mr. Mohammed Hamad Al-Salem	✓	✓	✓	✓

- **Mechanisms that allow board members to obtain information and data in an accurate and timely manner:**

The Executive Management provides information, data and documents in a complete, accurate and timely manner to all members of the Board of Directors to enable them to undertake and carry out their duties and tasks efficiently and effectively. It is also keen to ensure that all periodic and non-periodic reports are prepared to a high standard and in a comprehensive, consistent, concise and accurate manner.

Third rule

Selecting Competent Individuals for Membership in the Board of Directors and Executive Management

• Formation of the Nomination and Remuneration Committee:

The Board of Directors has formed a Nomination and Remuneration Committee in accordance with the requirements of the Capital Markets Authority and as mentioned above. The Nomination and Remuneration Committee's work charter defines all the conditions and requirements for forming the committee and its work mechanism according to the rules of governance.

The company has a policy approved by the Board of Directors to grant remuneration that includes determining remunerations of the Chairman and members of the Board of Directors, and determining the different segments of remunerations that are granted to employees in accordance with the applicable legal and regulatory requirements.

• The remuneration report granted to the Board members and Executive Management:

Based on the requirements of the Capital Markets Authority, the tasks and responsibilities of the Nomination and Remuneration Committee include preparing a detailed annual report on all remunerations granted to members of the Board of Directors and the executive management, and this report was prepared as follows:

* The annual remunerations are related to the company's performance during the year, taking into account the following:

- The applicable legal and regulatory requirements are taken into consideration when determining the remunerations of the chairman, Board members and employees.
- Employee remunerations are divided into: the fixed remuneration segment (including salary, allowances and other incentives), and the variable remuneration segment (related to the employee's annual performance evaluation); in addition to the end of service gratuity segment.

Structure of remuneration for the year 2019

No.	Job	Remunerations, salaries, incentives and other financial privileges (Parent Company and Subsidiaries)	Total remunerations, salaries, incentives and other financial privileges (Kuwaiti Dinar)
Members of the Board Members			
1	Chairman	Variable remuneration (Annual bonus, Committee remuneration), fixed privileges (Health Insurance)	N/A
2	Vice Chairman	Variable remuneration (Annual bonus, Committee remuneration), fixed privileges (Health Insurance)	N/A
3	Board Member	Variable remuneration (Annual bonus, Committee remuneration), fixed privileges (Health Insurance)	N/A
Members of the Executive Management			
1	CEO	Fixed remuneration and privileges (Salary, Health Insurance), Variable remuneration (Annual bonus)	125,721
2	Chief Financial Officer	Fixed remuneration and privileges (Salary, Health Insurance), Variable remuneration (Annual bonus)	55,036

Fourth Rule

Ensuring the Integrity of Financial Reports

- **Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports:**

Acknowledgment and Undertaking (soundness and integrity of financial statements)

We, the undersigned, the Vice Chairman and members of the Board of Directors of Senergy Holding Company, hereby acknowledge and undertake the accuracy and integrity of the financial statements that have been provided to the external auditors, and the statement of the financial reports of the company has been presented in a correct and fair manner in accordance with the international accounting standards applied in the State of Kuwait and approved by the Capital Markets Authority and it represents the financial position of the company as of December 31, 2019, based on the information and reports that we received from the executive management and the auditors, and due diligence is taken to verify the integrity and accuracy of these reports.

Name	Job	Signature
Mr. Nasser Bader Ahmed Al-Sharhan	Vice Chairman of the Board of Directors	
Mr. Mohammed Hamad Al-Salem	CEO	
Mr. Ali Hussain Ali Al-Moussa	Board Member	
Mr. Malik Maher Maarafi	Board Member	
Mr. Ahmed Fathi Mohamed Abu Zaid	Board Member	
Mr. Malik Mostafa Humoud	Board Member	

Acknowledgment and Undertaking (Soundness and integrity of financial statements)

I, the undersigned, the CEO of Senergy Holding Company, hereby acknowledge and undertake the accuracy and integrity of the financial statements that have been provided to the external auditors, and the statement of the financial reports of the company has been presented in a correct and fair manner in accordance with the international accounting standards applied in the State of Kuwait and approved by the Capital Markets Authority and it represents the financial position of the company as of December 31, 2019, based on the information and reports that we received from the financial management and the auditors, and due diligence is taken to verify the integrity and accuracy of these reports.

Name	Job	Signature
Mr. Mohammed Hamad Al-Salem	CEO	
Mr. Nashaat Naeem Daghmash	Chief Financial Officer	

- **Formation of the audit committee:**

The Board of Directors formed the audit committee in accordance with the requirements of the Capital Markets Authority and as mentioned above, and the audit committee work charter specifies all the conditions and requirements for forming the committee in accordance with the rules of governance of the Capital Markets Authority.

- **Mechanisms used in the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors.**

In order to apply the highest standards of transparency, the Board of Directors recommends that in the event of a conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, a statement should be included detailing and clarifying the recommendations and the reasons for the same.

It should be noted that up to the writing of this report there has been no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors.

- **Ensuring the independence and impartiality of the external auditor:**

The external auditor of the company is nominated based on a recommendation from the audit committee to the board of directors, after ensuring that he is independent of the company and the board of directors, and that he is not doing any additional work for the company that is not included in the audit work that may affect his impartiality or independence, and that the auditor is registered in the private record at the Capital Markets Authority. At its annual meeting, the Ordinary General Meeting shall appoint the Company's external auditor upon the proposal of the Board of Directors. The external auditor attends the general assembly meetings and reads the report prepared by him to the shareholders.

Fifth rule

Developing Sound Systems for Risk Management and Internal Control

- **Formation of an independent department/ office/ unit for risk management:**

The company has an independent risk management unit through its direct subordination to the risk committee, and the company relies on the risk management unit to contract with a specialized external party to carry out what tasks, and the external entity identifies, measures and follows up the different types of risks that the company may be exposed to in accordance with the approved policies by the Board of Directors, preparing the necessary periodic reports in this regard and referring them to the relevant committees and the Board of Directors.

The tasks and responsibilities of the risk management employees have been defined. The management has also developed an effective policy and procedures guide to be in conformity with the company's activities

- **Formation of a risk management committee:**

The Board of Directors has formed a risk management committee in accordance with the requirements of the Capital Markets Authority and as mentioned above. The risk committee work charter defines all the conditions and requirements for forming the committee in accordance with the rules of governance of the Capital Markets Authority

- **Internal regulation and control systems:**

The company adopts a set of internal regulation and control systems that cover all the activities of the company through the preparation and approval of a set of structures, policies and procedures that aim to define powers and responsibilities and the separation of tasks, and the board of directors follows up on the internal control systems through the reports submitted by the committees and supervisory jobs in the company.

In addition, an independent audit office is assigned to evaluate and review the internal control systems and prepare a report in this regard. A copy of this report is submitted to the Audit Committee, the Board of Directors and the Capital Markets Authority.

- **Formation of an independent department/ office/ unit for internal audit:**

The company has an internal audit unit that enjoys independence through its subordination to the audit committee, and the company relies on the internal audit unit to contract with a specialized external entity to carry out such tasks, and the external entity reviews and evaluates the internal control systems applied in the company in accordance with the policies approved by the Board of Directors and prepares the necessary periodic reports in this regard and refers them to the relevant committees and the Board of Directors. The Board also defined the tasks and responsibilities of the Internal Audit Department.

An independent audit office - unlike the audit office assigned with evaluating and reviewing internal control systems - is assigned to review and evaluate the performance of the internal audit every three years, and a copy of this report shall be provided to the Audit Committee and the Board of Directors.

Sixth Rule

Promoting Professional Behavior and Moral Values

- **Standards and determinants of professional behavior and moral values:**

The company has a work charter approved by the Board of Directors that includes the standards and determinants that establish the concepts, values and ethical principles of the company, members of the Board of Directors, executive management and all employees.

- **Reducing conflicts of interest:**

The company has a policy regarding limiting conflict of interest cases, approved by the Board of Directors, that includes examples of conflict of interest cases and how to solve and deal with them, for members of the Board of Directors and the Executive Management.

The Board of Directors takes all possible measures to identify, prevent or manage conflict of interest cases in order to achieve interests of the company and shareholders.

Seventh rule

Accurate and Timely Disclosure and Transparency

- **Mechanisms for accurate and transparent disclosure:**

The company has a policy of disclosure and transparency towards shareholders, potential investors and other stakeholders approved by the Board of Directors, in conformity with the provisions mentioned in the Capital Market Authority Law and its executive regulations and the authority's instructions and best practices in this regard. This policy is reviewed periodically.

Senergy Company provides the disclosures of the essential information related to it on the company's website as well as the Kuwait Stock Exchange (Boursa Kuwait) website.

The company maintains an updated record of all the disclosures which is available for the concerned parties to view during normal business hours of the company without any fee or charge.

- **Disclosures Record of Board Members and Executive Management:**

The company maintains a special record for the disclosures of members of the board of directors and executive management, containing the information and data required to be disclosed in accordance with the requirements of laws, instructions and the company's policy in this regard, and this record is updated periodically. This record shall be available to the concerned persons to view during the company's normal business hours without any fee or charge.

- **Investors Affairs Unit:**

The Company's Investor Affairs Unit has the appropriate independence, and is responsible for providing the necessary information, data and reports to shareholders, potential investors and other stakeholders in a timely manner and through established methods and means of disclosure, including the company's website.

The company always seeks to improve the effectiveness of communication with shareholders, stakeholders and society in general and to publish the correct information related to the company and its operations as the company believes in the importance of continuous and regular communication that accurately reflects the financial position and performance of the company.

- **IT Infrastructure Development:**

The company is keen to rely on information technology to communicate with potential shareholders, investors and other stakeholders by creating a special section on the company's website for corporate governance, through which information and data of interest to them is displayed.

Eighth rule

Respecting the Rights of Shareholders

- **Define and protect the general rights of shareholders:**

A policy has been prepared to protect shareholders' rights in accordance with the company's articles of association, as well as its internal policies and regulations, to ensure that all shareholders exercise their rights in a manner that achieves justice and does not conflict with the laws and instructions of the Capital Markets Authority. The company's policies also ensure that all shareholders are treated equally and fairly without any discrimination. The most significant general rights of shareholders include:

- Disposing shares, Registering ownership, moving and transferring shares.
- Obtaining the determined share of the dividend.
- Obtaining the required share of the company's assets in case of liquidation.
- Obtaining information and data about the company's activity in a timely manner.
- Participating in General Meetings and voting on decisions.
- Monitoring the performance of the company in general.
- calling for of members of the board of directors and executive management if they fail to perform the tasks assigned to them.

- **Create a special record to be maintained at the clearing agency:**

According to the agreement signed between the company and the Kuwait Clearing Company, the shareholders' record is maintained at the clearing agency, in which the information and data of the shareholders are recorded, and the company maintains a copy of this record and the information and data contained in it are dealt with according to the highest levels of protection and confidentiality and shall be notated of any changes in the data registered therein, according to what the company or the clearing agency receives, and this record shall be available to the concerned persons to view during the company's normal business hours.

- **Encourage shareholders to participate and vote in the company's general meetings:**

The company encourages shareholders to attend and participate in the company's general meetings and vote on its decisions, as the company announces and discloses the invitation to the general meeting, including the agenda, the time and place of the meeting, during the scheduled dates and through the specified means and mechanisms.

The company also allows shareholders prior to the general meeting to obtain information and data related to agenda items. The company also allows shareholders to assign others to attend the general meeting and vote on its decisions under a special power of attorney or authorization that the company prepares for this purpose. The company does not charge any fees for shareholders attending the general meetings.

Ninth rule

Understand the Role of Stakeholders

- **Systems and policies that protect and recognize the rights of stakeholders:**

The company is keen to protect and recognize the rights of stakeholders, and the company's board of directors has adopted a policy to protect the rights of stakeholders that includes rules and procedures that ensure protection and recognition of the rights of stakeholders and allow them to obtain compensation in case any of their rights are violated, in accordance with the relevant laws in force in the State of Kuwait, such as the Companies Law and the Labor Law in addition to the contracts concluded between the company and the stakeholders, and any additional undertakings the company makes towards them.

- **Encourage stakeholders to participate in following up the company's various activities:**

The company is keen to take advantage of the stakeholders' contributions and encourages them to participate in following its activities in a manner consistent with the achievement of its interests, as the company works to provide the necessary information, data and reports to the stakeholders in a timely manner and through the established methods and means of disclosure, through the Investor Affairs Unit as mentioned above. It also allows stakeholders to inform the Board of Directors of any improper practices to which they are exposed by the company, while providing confidentiality and appropriate protection to parties that report in good faith about those practices.

Tenth rule

Enhance and Improve Performance

- **The mechanisms that allow the members of the Board of Directors and the Executive Management to obtain continuous training programs and courses:**

An introductory program is provided for new board members and executive management about the company's activities, and this includes providing them with the company's articles of association, strategy, organizational structure, annual report, financial statements, board work charters, approved committees and policies, as well as any other information, data, reports, or documents deemed necessary.

In addition, a plan is prepared for the appropriate training programs for members of the Board of Directors and Executive Management regarding new developments in areas related to the company's work.

- **Evaluate the performance of the board of directors as a whole, and the performance of each member of the board of directors and executive management:**

The company has put in place a mechanism to periodically evaluate the performance of each member of the board of directors and executive management, through a set of objective performance indicators, as well as identifying weaknesses, strengths, and suggestions for addressing them in line with the company's interest. The performance of board members and executive management has been evaluated, as well as the performance of board committees.

- **The efforts of the Board of Directors to create institutional values for employees in the company:**

The Board is keen on Value Creation for employees in the company through achieving strategic goals and improving performance rates and adherence to relevant laws, regulations, decisions and instructions that contribute to motivating workers to work continuously in order to maintain the financial integrity of the company.

Eleventh rule

Focus on the Importance of Social Responsibility

- **A policy to ensure a balance between both the company's objectives and the society's objectives:**

The company's board of directors has adopted a social responsibility policy that aims to link the company's objectives to the objectives that society seeks to achieve, taking into account the social and economic aspects of society in terms of job opportunities, project support, awareness-raising programs, charitable initiatives, health aspects, environmental protection, etc.

- **The programs and mechanisms used that help highlight the company's efforts in the field of social work:**

The company has established a set of programs that ensure the continuity of the implementation of the social responsibility policy, as the company works to contribute to social and economic activities continuously (charitable - cultural - educational - health - environmental).

The company is keen on continuous commitment to social responsibility through social behaviors that aim to achieve sustainable development for society in general and its employees in particular. This is achieved through improving the living conditions of workers and their families, and supporting and encouraging national workers and raising their efficiency and competitiveness.

The company also undertakes the continuous commitment of the company to act ethically in accordance with the provisions of public laws and customs.

SENERGY® Holding

Report on Transactions with Related Parties

Esteemed Shareholders,

Greetings,

Subject: Report on Transactions with Related Parties for the Financial Year ended on 31 December 2019 and expected for the Financial Year ending on 31 December 2020

The following is a statement of transactions with related parties for the financial year 2019 and expected for 2020:

Description	The Year 2019	Expected for the Year 2020
1- Balances included in the Statement of Financial Position:		
- Due from related parties	1,006,819	481,975
- Investments at fair value through the statement of income	2,842	2,984
- Right-to-use assets (included in property, plant and equipment)	142,861	107,145
- Lease liabilities	(146,581)	(112,824)
Total	1,005,941	479,280
2- Balances included in the consolidated statement of income:		
- Portfolio management fees	3,092	1,500
3- Benefits and salaries of top- management employees: -		
- Salaries and other benefits	384,109	350,000
- End-of-service benefits	22,827	20,544
Total	406,936	370,544

The related parties are mainly members of the Board of Directors, key management personnel, subsidiaries, shareholders, and companies in which the parent company is a major owner or in which they exert a significant influence. All transactions with related parties are carried out on conditions approved by the Group's management.

Best regards,

Mohammad Hamad Al-Salem

Chief Executive Officer

Senergy Holding (K.S.C.P) and its subsidiaries

(Previously Safat Energy Holding Company K.S.C.P and its subsidiaries)

State of Kuwait

Consolidated financial statements and independent auditors' report

For the year ended 31 December 2018

Index

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF

SENERGY HOLDING COMPANY K.S.C.P.

State

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Senergy Holding Company K.S.C.P. (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 27 to the consolidated financial statements which describes that on 21 July 2016, the co-venturer of Emirates Western Petroleum Services L.L.C. ('Emirates Western'), a joint venture indirectly held by the Group through Senergy Services Company K.S.C.C. ("Subsidiary"), filed a legal action against the Subsidiary in relation to alleged non-performance under a management agreement claiming an amount of AED 35,348,822 (equivalent to KD 2,928,990) in addition to the legal expenses and 12% delay interest. On 20 November 2016, the Subsidiary filed a counter claim before the court, requesting the appointment of a committee of experts to investigate the violations of the co-venturer and evaluate the damages and losses the Subsidiary incurred due to such breach. During the period, the court issued an unfavourable judgement against the Subsidiary, for which an appeal was filed. On 29 October 2019, the Court accepted the appeal filed by the Subsidiary and assigned an experts committee to verify the elements of the appeal and submit their findings accordingly. The ultimate outcome of the matter cannot presently be determined, and accordingly no provision for any liability that may result has been recognised in the consolidated financial statements as at 31 December 2019.

Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2019.

Key Audit Matters

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

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

Impairment of goodwill

As at 31 December 2019, the carrying value of goodwill amounted to KD 2,587,470, representing 16% of the Group's total assets. The individual goodwill amounts have been allocated to the cash-generating unit (CGU) as disclosed in Note 4 to the consolidated financial statements.

The Group has recognised impairment of goodwill amounting to KD 4,232,926 during the current year. The annual impairment testing of goodwill is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The Group engaged an external management expert to assist with the impairment testing. The recoverable amount of the CGUs, which is based on the higher of the value in use or fair value less cost to sell, has been derived from a mix of fair-valuation and discounted forecast cash flow models. These models use several key assumptions, including estimates of future sales volumes, and prices, operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate).

Our procedures included, among others, the following:

- We involved our internal valuation specialists to assist us in challenging the valuation methodology used and evaluating the appropriateness of key assumptions applied in the impairment analysis, such as the discount rate and terminal growth rate;
- We evaluated the competence, capabilities and objectivity of the external management expert;
- We obtained management's impairment calculations and tested the reasonableness of key assumptions, including profit forecasts and the selection of growth rates and discount rates;
- We challenged the management to substantiate its assumptions, including the comparison of relevant assumptions to industry benchmarks and economic forecasts;
- We agreed the underlying cash flows to approved budgets and assessed growth rates and discount rates by comparison with third party information and relevant risk factors, also considering the historical accuracy of budgeting and forecasting and the understanding of the reasons for growth profiles used; and
- We further evaluated the management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the consolidated financial statements of the Group and assessed the adequacy of the Group's disclosures regarding those assumptions, which are disclosed in Note 4 to the consolidated financial statements.

Other information included in the Group's 2019 Annual Report

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

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

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

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

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

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

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

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

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

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

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

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

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

بدر عادل العبدالجادر

Bader A. Al-abduljader
LICENCE NO. 207-A
EY
AL AIBAN, AL OSAIMI & PARTNERS

العيبان والعصيمي وشركاهم

7 May 2020
Kuwait

SENERGY Holding

Consolidated statement of financial position
As at 31 December 2019

	Notes	2019	2018
ASSETS		**KD**	KD
Non-current assets			
Goodwill	4	**2,587,470**	6,820,396
Property, plant and equipment	5	**3,047,208**	3,149,579
Investment properties	6	**1,700,968**	1,766,276
Financial assets at fair value through other comprehensive income		**80,942**	81,193
Term deposits	7	**1,148,200**	-
		8,564,788	11,817,444
Current assets			
Inventories	8	**658,313**	330,712
Term deposits	7	**682,163**	1,759,974
Amounts due from related parties	22	**1,006,819**	1,248,970
Trade and other receivables	9	**3,013,729**	2,658,716
Financial assets at fair value through profit or loss		**2,842**	5,801
Cash and short-term deposits	10	**1,781,126**	2,248,084
		7,144,992	8,252,257
TOTAL ASSETS		**15,709,780**	20,069,701
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**20,000,000**	20,000,000
Share premium	11	**181,866**	181,866
Treasury shares	12	**(181,866)**	(181,866)
Treasury shares reserve		**27,456**	27,456
Fair value reserve		**(40,629)**	(40,629)
Foreign currency translation reserve		**(235,850)**	(143,886)
Accumulated losses		**(9,794,116)**	(5,074,509)
Equity attributable to equity holders of the Parent Company		**9,956,861**	14,768,432
Non-controlling interests		**2,281,538**	2,316,533
Total equity		**12,238,399**	17,084,965
Non-current liabilities			
Employees' end of service benefits	13	**616,612**	625,406
Trade and other payables	14	**20,043**	18,893
Lease liabilities	15	**109,009**	-
		745,664	644,299
Current liabilities			
Trade and other payables	14	**2,688,145**	2,340,437
Lease liabilities	15	**37,572**	-
		2,725,717	2,340,437
Total liabilities		**3,471,381**	2,984,736
TOTAL EQUITY AND LIABILITIES		**15,709,780**	20,069,701

The attached notes 49 to 92 form part of these consolidated financial statements.

Mohammad Hamad Al Salem
Chief Executive Office

Nasser Bader Al Sharhan
Vice Chairman

Consolidated statement of Profit or Loss
for the year ended 31 December 2019

	Notes	2019 KD	2018 KD
Revenue from contracts with customers	16	**2,696,021**	2,902,338
Cost of sales of goods and cost of providing services		**(2,351,321)**	(2,507,384)
GROSS PROFIT		**344,700**	394,954
Rental income		**282,805**	321,571
Commission income		**195,623**	189,113
Income from Islamic deposits		**24,722**	9,522
Unrealised loss on financial assets at fair value through profit or loss		**(1,170)**	-
Net foreign exchange differences		**7,812**	(16,921)
Net impairment losses and other provisions	17	**(3,744,495)**	(82,988)
Other income		**117,790**	108,090
TOTAL (LOSS) INCOME		**(2,772,213)**	923,341
General and administrative expenses	18	**(1,764,273)**	(1,386,315)
Finance costs on lease liabilities		**(8,804)**	-
TOTAL EXPENSES		**(1,773,077)**	(1,386,315)
LOSS BEFORE TAX		**(4,545,290)**	(462,974)
Taxation from foreign subsidiaries		**(73,623)**	(105,028)
LOSS FOR THE YEAR		**(4,618,913)**	(568,002)
Attributable to:			
Equity holders of the Parent Company		**(4,773,174)**	(534,690)
Non-controlling interests		**154,261**	(33,312)
		(4,618,913)	(568,002)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	19	**fils (23.90)**	fils (2.68)

The attached notes 49 to 92 form part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2019

	2019	*2018*
	KD	*KD*
LOSS FOR THE YEAR	**(4,618,913)**	(568,002)
Other comprehensive loss		
Other comprehensive loss that may be reclassified to profit or loss in subsequent years:		
Exchange differences on translation of foreign operations	**(136,956)**	(391,762)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent years	**(136,956)**	(391,762)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent years:		
Net change in fair value of equity instruments designated at fair value through other comprehensive income	-	(25,775)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent years	-	(25,775)
Other comprehensive loss	**(136,956)**	(417,537)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(4,755,869)**	(985,539)
Attributable to:		
Equity holders of the Parent Company	**(4,865,138)**	(819,931)
Non-controlling interests	**109,269**	(165,608)
	(4,755,869)	(985,539)

The attached notes 49 to 92 form part of these consolidated financial statements.

Consolidated statement of of Changes in Equity
For the year ended 31 December 2019

	Equity attributable to the equity holders of the Parent Company									
	Share capital	*Share premium*	*Treasury shares*	*Treasury shares reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Accumulated losses*	*Sub-total*	*Non-controlling interests*	*Total equity*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
As at 1 January 2019	20,000,000	181,866	(181,866)	27,456	(40,629)	(143,886)	(5,074,509)	14,768,432	2,316,533	17,084,965
Loss for the year	-	-	-	-	-	-	(4,773,174)	(4,773,174)	154,261	(4,618,913)
Other comprehensive loss for the year	-	-	-	-	-	(91,964)	-	(91,964)	(44,992)	(136,956)
Total comprehensive loss for the year	-	-	-	-	-	(91,964)	(4,773,174)	(4,865,138)	109,269	(4,755,869)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	53,567	53,567	(144,264)	(90,697)
At 31 December 2019	**20,000,000**	**181,866**	**(181,866)**	**27,456**	**(40,629)**	**(235,850)**	**(9,794,116)**	**9,956,861**	**2,281,538**	**12,238,399**
As at 1 January 2018	20,000,000	181,866	(181,866)	27,456	(16,481)	117,207	(5,320,769)	1,4807,413	4,052,792	18,860,205
Loss for the year	-	-	-	-	-	-	(534,690)	(534,690)	(33,312)	(568,002)
Other comprehensive loss for the year	-	-	-	-	(24,148)	(261,093)	-	(285,241)	(132,296)	(417,537)
Total comprehensive loss for the year	-	-	-	-	(24,148)	(261,093)	(534,690)	(819,931)	(165,608)	(985,539)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	780,950	780,950	(1,570,651)	(789,701)
At 31 December 2018	20,000,000	181,866	(181,866)	27,456	(40,629)	(143,886)	(5,074,509)	14,768,432	2,316,533	17,084,965

The attached notes 49 to 92 form part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
OPERATING ACTIVITIES			
Net loss before tax		**(4,618,913)**	(568,002)
Adjustments to reconcile loss before tax to net cash flows:			
Depreciation on property, plant and equipment	5	**627,675**	760,843
Depreciation on investment properties	6	**65,308**	65,307
Depreciation on right of use assets	5	**35,716**	-
Gain on sale of property, plant and equipment		**(428)**	-
Net reversal of provision for slow-moving and obsolete inventories	8	**(426,598)**	-
Net (reversal) charge of ECL for trade receivables	9	**(100,763)**	82,988
Income from Islamic deposits		**(24,722)**	(9,522)
Provision for employees' end of service indemnity		**216,829**	91,339
Finance costs on lease liabilities	15	**8,804**	-
Impairment of goodwill	4	**4,232,926**	-
Taxation from foreign subsidiaries		**73,623**	105,028
Unrealised loss on financial assets at fair value through profit or loss		**1,170**	-
		90,627	527,981
Working capital adjustments:			
Inventories		**37,476**	63,963
Trade and other receivables		**(299,440)**	2,055,241
Amounts due from related parties		**242,151**	(1,343)
Trade and other payables		**408,651**	(989,384)
Cash generated from operations		**479,465**	1,656,458
Taxes paid		**(67,055)**	(95,031)
Employees' end of service indemnity paid		**(205,087)**	(244,819)
Net cash flows from operating activities		**207,323**	1,316,608
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	**(567,010)**	(484,681)
Proceeds from sale of property, plant and equipment		**120,242**	-
Proceeds from disposal of financial assets at FVOCI		**251**	217,017
Proceeds from disposal of financial assets at FVTPL		**1,789**	873
Net change in term deposits		**(70,945)**	(1,244,026)
Islamic deposits income received		**24,722**	9,522
Net movement in restricted cash balances		**(7,742)**	-
Net cash flows used in investing activities		**(498,693)**	(1,501,295)

The attached notes 49 to 92 form part of these consolidated financial statements.

Consolidated statement of cash flows (continued)
For the year ended 31 December 2019

	Notes	*2019* *KD*	*2018* *KD*
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	15	**(40,800)**	-
Acquisition of non-controlling interests in a subsidiary		**(90,697)**	(789,701)
Net cash flows used in financing activities		**(131,497)**	(789,701)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(422,867)**	(974,388)
Cash and cash equivalents at 1 January		**2,215,954**	3,289,667
Net foreign exchange differences		**(51,833)**	(99,325)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	15	**1,741,254**	2,215,954
Non-cash items excluded from the consolidated statement of cash flows:			
Transitional adjustment to property, plant and equipment on adoption of IFRS 16 (Adjusted with property, plant and equipment)		**(178,577)**	-
Transitional adjustment to lease liabilities on adoption of IFRS 16 (Adjusted with lease liabilities)		**178,577**	-

The attached notes 49 to 92 form part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2019

1. CORPORATE INFORMATION

The consolidated financial statements of Senergy Holding Company K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the board of directors of the Parent Company on 7 May 2020.

The Parent Company was incorporated in the State of Kuwait on 22 March 1983 and its shares are publicly trade on Bourse Kuwait. The Parent Company's head office is located at Hawalli, Beirut Street, Al-Safat Group Headquarters, – 7th Floor, and its registered postal address is P.O. Box 27728, Al Safat 13138, State of Kuwait.

The Parent Company carries out its activities in accordance with the Islamic Sharīa. The principal activities as defined in the Parent Company's Articles of Association are, as follows:

- Owning shares of Kuwaiti or foreign shareholding and limited liabilities companies as well as participating in forming, administering, financing, and providing third party guarantees for these companies.
- Financing companies owned or guaranteeing them against third parties provided that the contribution ratio of the holding company in the capital of these companies shall not be less than at least 20%.
- Owning industrial rights for patents, trade names, designs and leasing the same to other companies for their use inside or outside Kuwait.
- Owning movable and real estate properties that are necessary to practice its activities in accordance to the law.

Use of surplus funds available with the Parent Company by investing it in portfolios managed by specialised companies.

- Information on the Group's structure is provided below. Information on other related party relationships of the Group is provided in Note 22.

1.2 GROUP INFORMATION

a) Subsidiaries

The consolidated financial statements of the Group include:

Name	***Country of incorporation***	***equity interest %***		**Principal activities**
		2019	*2018*	
Senergy Services Company K.S.C. (Closed)	Kuwait	**95.87%**	94.57%	Holding company
Eastern Industrial & Oilfield Services B.S.C. (Closed)	Bahrain	**100%**	100%	Holding industrial property rights and investing in financial instruments.
Held through Senergy Services Company				
Eastern National Oilfield Services Company K.S.C. (Closed)	Kuwait	**86.71%**	86.71%	Supporting activities to oil wells drilling and related maintenance
Eastern International Testing Services Company W.L.L.	Kuwait	**70%**	70%	Maintenance of oil wells' facilities and oil refineries
Held through Eastern National Oilfield Services Company				
Gulf International General Trading and Contracting Company W.L.L.*	Kuwait	**99%**	99%	General trading and contracting services
Eastern National Oilfield Services (Private) Limited	Pakistan	**100%**	100%	Providing wireline services
Held through Eastern International Testing Services Company W.L.L. and its subsidiaries				
Eastern Testing Services (private) Limited	Pakistan	**100%**	100%	Well testing services for oil and gas sector

* The Group's effective interest in the above subsidiary is 100%. The Group directly holds the shares in the subsidiary as mentioned above, and the remaining shares are held indirectly in the name of nominees on behalf of the Parent Company. The nominees have confirmed in writing that the Parent Company is the beneficial owner of the shares in the subsidiary.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

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

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

IFRS 16 – *Leases*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

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

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right of use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the opening retained earnings. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Notes to the consolidated financial statements
For the year ended 31 December 2019

The effect of adoption IFRS 16 as at 1 January 2019 is, as follows:

	KD
ASSETS	
(Right-of-use assets (included within property, plant and equipment	**178,577**
LIABILITIES	
Lease liabilities	**178,577**

a) Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various properties. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under accounts receivable and prepayments and accounts payable and accruals, respectively.

The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

- Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

- Leases previously accounted for as operating leases

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

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	KD
Operating lease commitments as at 31 December 2018	239,464
Weighted average incremental borrowing rate as at 1 January 2019	5.5%
Discounted operating lease commitments at 1 January 2019	**214,041**
Less:	
Commitments relating to short-term leases	(35,464)
Lease liabilities as at 1 January 2019	**178,577**

b) Summary of new accounting policies

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

- Right-of-use assets

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

- Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Notes to the consolidated financial statements
For the year ended 31 December 2019

- Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below €5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

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

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

2.3 STANDARDS ISSUED BUT NOT EFFECTIVE

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

Amendments to IFRS 3: *Definition of a Business*

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

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

Amendments to IAS 1 and IAS 8: *Definition of Material*

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.4.1 Basis of consolidation

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

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- Exposure, or rights, to variable returns from its involvement with the investee

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

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

- The contractual arrangement(s) with the other vote holders of the investee

- Rights arising from other contractual arrangements

- The Group's voting rights and potential voting rights

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

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

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

2.4.2 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the capital. For each business combination, the Group elects whether to measure the non-controlling interests in the capital at fair value or at the proportionate share of the capital's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognised in the profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

2.4.3 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment and all directly attributable costs of bringing the asset to working condition for intended use.

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

The estimated useful lives are, as follows:

Buildings	10-20 years
Furniture and fixtures	5-7 years
Machinery and equipment	2-10 years
Motor vehicles	4 years

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

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

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

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

Depreciation of these assets commences when the assets are ready for their intended use.

2.4.4 Investment properties

Investment properties comprises of developed property held to earn rental income or for capital appreciation or both. Investment properties is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment properties.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and less accumulated impairment losses. Gains or losses arising form the sale of investment properties are recognised in the consolidated statement of profit or loss.

The estimated useful life the building is 20 years and is depreciated using straight line method. Land on which the properties are developed is not depreciated.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the cost at the date of change in use.

The carrying amounts are reviewed at each reporting date on an individual basis by reference to their fair value to assess whether they are recorded in excess of their recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses, if any, are recognised in the profit or loss when the carrying values exceed the recoverable amount.

2.4.5 Impairment of non-financials assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount or CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.4.6 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and initial measurement

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

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

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

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

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

Subsequent measurement

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

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

a) Financial assets at amortised cost (debt instruments)

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

b) Financial assets at fair value through OCI (debt instruments)

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

c) Financial assets designated at fair value through OCI (equity instruments)

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

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

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

d) Financial assets at fair value through profit or loss

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

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

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

ii) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities include trade and other payables.

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

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

Financial liabilities at amortised cost

Trade and other payables

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

Derecognition

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

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

iii) Offsetting of financial instruments

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

2.4.7 Impairment of financial assets

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

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

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

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4.8 Term deposits

Term deposits comprise amounts invested with financial institutions in Islamic investment products. Term deposits are stated at the gross amount of the receivable, net of deferred profit receivable and provision for impairment, if any. Profit receivable is recognised on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Notes to the consolidated financial statements
For the year ended 31 December 2019

2.4.9 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is the weighted average cost and includes those expenses incurred in bringing each product to its present location and condition. Net realizable value is estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated cost necessary to make the sale.

2.4.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, cash at banks and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

2.4.11 Employees end of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period in accordance with relevant labour law and the employees' contracts. The expected costs of these benefits are accrued over the period of employment. This liability, which is unfunded, represents the amount payable to each employee as a result of termination on the reporting date

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

2.4.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

2.4.13 Treasury shares

The Group's own shares are accounted for as treasury shares and are stated at cost. When the treasury shares are sold, gains are credited to a separate account in equity (treasury shares reserve) which is non-distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are distributed on these shares and the voting rights related to these shares are discarded. 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.

2.4.14 Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

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

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The revenue is measured at fair value of consideration received or receivable at the time of transfer, net of returns, trade discounts and volume rebates.

In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non cash consideration and consideration payable to the customer (if any).

Rendering of services

Revenue from rendering of services is recognised when the performance obligation is satisfied, and control is transferred to customer.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of an investment property. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature

Commission income

The Group earns commission income from a diverse range of services it provides to its customers. Commission income is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The Group is acting as an agent and recognises revenue at the net amount that is retained for these arrangements. Revenue is recognised at a point in time because this is when the customer benefits from the Group's services.

2.4.15 Taxes

Kuwait Foundation for the Advancement of Sciences (KFAS)

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

Zakat

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

2.4.16 Foreign currencies

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

Transactions and balances

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

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

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

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

Group companies

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

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

2.4.17 Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefit is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

2.4.18 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

2.4.19 Fair value measurement

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

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

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

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

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

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

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

2.4.20 Leases (Policy applicable before 1 January 2019)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset (or assets), even if that asset (or those assets) is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.4.21 Leases (Policy applicable as of 1 January 2019)

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Group as a lessee

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

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (2.4.10) Impairment of non-financial assets.

i) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

ii) Short-term leases and leases of low-value assets

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

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Notes to the consolidated financial statements
For the year ended 31 December 2019

2.4.22 Events after the reporting period

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

2.4.23 Segment information

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs cost. The operating segments used by the management of the Group to allocate resources and assess performance are consistent with the internal report provided to the chief operating decision maker. Operating segment exhibiting similar economic characteristic, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

3.1 Significant judgments

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

Classification of financial assets

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

Determining the lease term of contracts with renewal and termination options – Group as lessee

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

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the renewal period as part of the lease term for leases with shorter non-cancellable period (i.e., three to five years). In addition, the renewal options for leases of motor vehicles are not included as part of the lease term because the Group typically leases motor vehicles for not more than five years and, hence, is not exercising any renewal options. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

3.2 Estimates and assumptions

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

Impairment of 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 of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF 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 investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4.

Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables s is disclosed in Note 23.1.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Impairment of investment properties

The carrying amounts of the Group's investment properties are reviewed at each reporting date to determine whether there is any indication or objective evidence of impairment or when annual impairment testing for an asset is required. If any such indication or evidence exists, the asset's recoverable amount is estimated, and an impairment loss is recognised in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amounts of an asset is determined based on higher of fair value and value in use.

Fair value measurement

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. GOODWILL

	2019	*2018*
	KD	*KD*
Goodwill	2,587,470	6,820,396

Goodwill is monitored by management at the level of the operating segments identified in Note 24. The recoverable amount of the cash-generating units (CGUs) has been determined based on a mix of fair value and value-in-use calculations.

Fair value methodology has been considered for CGUs where the value lies in the underlying assets and not the ongoing operations of the business. The discount rate applied for lack of marketability is 20%.

Value-in-use calculations are made using cash flow projections from financial budgets approved by management covering a five-year period based on the historical pattern of sales volume, revenue growth and budget gross margin. The discount rate applied to cash flow projections is 12.58% and cash flows beyond the five-year period are extrapolated using a 2.9% long-term growth rate, which does not exceed the long-term average growth rate of the State of Kuwait.

As a result of the analysis, management has recognised an impairment charge of KD 4,232,926 (2018: Nil) in the current year. The impairment loss was fully allocated to goodwill and included in the consolidated statement of profit or loss.

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

- Discounts for lack of marketability (DLOM)
- Sales volume
- Discount rate
- Gross margins
- Long-term growth rate (terminal value) used to extrapolate cash flows beyond the forecast period

Discounts for lack of marketability (DLOM) used in fair value calculation

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

Sales volume

Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.

Discount rates used in value-in-use calculations

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Gross operating profit

Gross operating profits are based on average values achieved in the three years preceding the beginning of the budget period. The gross margins, after adjusting for non-cash items such as depreciation, were 40%. These are increased over the budget period for anticipated efficiency improvements. An increase of 0.5%-1% per annum was applied.

Projected growth rates

Assumptions are based on published industry research.

Inflation rates

Estimates are obtained from published indices for the countries where the Group operates.

Sensitivity to changes in assumptions

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the goodwill to exceed its recoverable amount. These are summarised below:

- A rise in the discount rate to 15.09% (i.e. +0.5%) would result in a further impairment of KD 159,984.
- A reduction in the long-term growth rate to 2.4% (i.e. -0.5%) would result in a further impairment of KD 110,010.
- Decreased demand can lead to a decline in the gross operating margin. A decrease in the gross margin to 22.5% (i.e -0.8%) would result in a further impairment of KD 189,700.
- An increase in DLOM to 20.5% (i.e. +0.5%) would result in a decrease in fair value and would result in a further impairment of KD 22,601.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

5. PROPERTY, PLANT AND EQUIPMENT

	Land	*Buildings*	*Furniture & fixtures*	*Machinery & equipment*	*Motor vehicles*	*Right-of-use assets*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Cost:							
At 1 January 2019 (as previously reported)	5,295	633,691	696,675	6,397,722	2,583,205	-	10,316,588
Effect of adoption of IFRS 16 (Note 2.2)	-	-	-	-	-	178,577	178,577
Adjusted balance at 1 January 2019	5,295	633,691	696,675	6,397,722	2,583,205	178,577	10,495,165
Additions	-	-	9,544	499,668	57,798	-	567,010
Disposals	-	-	-	(117,836)	(8,250)	-	(126,086)
Exchange differences	(516)	(8,858)	(4,988)	(185,940)	(1,356)	-	(201,658)
At 31 December 2019	**4,779**	**624,833**	**701,231**	**6,593,614**	**2,631,397**	**178,577**	**10,734,431**
Depreciation:							
At 1 January 2019	-	239,897	649,872	4,079,534	2,197,706	-	7,167,009
Depreciation charge for the year	-	28,556	17,873	464,225	117,021	35,716	663,391
Disposals	-	-	-	-	(6,272)	-	(6,272)
Exchange differences	-	(7,141)	(4,460)	(123,961)	(1,343)	-	(136,905)
At 31 December 2019	-	**261,312**	**663,285**	**4,419,798**	**2,307,112**	**35,716**	**7,687,223**
Net book value:							
At 31 December 2019	**4,779**	**363,521**	**37,946**	**2,173,816**	**324,285**	**142,861**	**3,047,208**

	Land	*Buildings*	*Furniture & fixtures*	*Machinery equipment &*	*Motor vehicles*	*Capital work in progress*	*Total*
	KD	*KD*	*KD*	*KD*	*KD*	*KD*	*KD*
Cost							
At 1 January 2018	6,656	383,395	692,932	6,371,358	2,573,833	781,691	10,809,865
Additions	-	2,797	16,709	452,229	12,946	-	484,681
Disposals	-	-	-	-	-	(514,470)	(514,470)
Transfers	-	267,221	-	-	-	(267,221)	-
Exchange differences	(1,361)	(19,722)	(12,966)	(425,865)	(3,574)	-	(463,488)
At 31 December 2018	5,295	633,691	696,675	6,397,722	2,583,205	-	10,316,588
Depreciation:							
At 1 January 2018	-	237,032	640,487	3,810,996	2,039,156	514,470	7,242,141
Depreciation charge for the year	-	18,023	20,296	560,452	162,072	-	760,843
Disposals	-	-	-	-	-	(514,470)	(514,470)
Exchange differences	-	(15,158)	(10,911)	(291,914)	(3,522)	-	(321,505)
At 31 December 2018	-	239,897	649,872	4,079,534	2,197,706	-	7,167,009
Net book value:							
At 31 December 2018	5,295	393,794	46,803	2,318,188	385,499	-	3,149,579

The depreciation included in the consolidated statement of profit or loss is allocated as follows:

	2019 KD	2018 KD
Cost of sales	**527,553**	671,322
General and administrative expenses	**135,838**	89,521
	663,391	760,843

6. INVESTMENT PROPERTIES

	Leasehold land	*Buildings*	*Total*
	KD	*KD*	*KD*
Cost:			
As at 1 January 2018 and 2019	1,211,000	1,306,179	2,517,179
At 31 December 2018 and December 2019	**1,211,000**	**1,306,179**	**2,517,179**
Accumulated depreciation:			
As at 1 January 2018	-	685,596	685,596
Depreciation charge for the year	-	65,307	65,307
At 31 December 2018	-	750,903	750,903
Depreciation charge for the year	-	65,308	65,308
At 31 December 2019	-	**816,211**	**816,211**
Net book value:			
At 31 December 2019	**1,211,000**	**489,968**	**1,700,968**
As at 31 December 2018	1,211,000	555,276	1,766,276

The depreciation charge for investment properties is included in general and administrative expenses in the consolidated statement of profit of profit or loss.

The fair value of land and buildings as at 31 December 2019 is KD 2,625,000 and KD 823,000 (2018: KD 2,250,000 and KD 896,000), respectively. These are substantially rented to tenants and not intended to be sold in the ordinary course of business. Land and buildings are valued using the market comparable approach. Under market comparable approach, fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square meter (sqm). The valuations were performed by accredited independent valuers with recognised and relevant professional experience in the locations and categories of the investment properties being valued.

Notwithstanding the contractual lease term of the leasehold land, management considers that, based on market experience, the leases are renewable indefinitely, at similar nominal rates of ground rent, and with no premium payable for renewal of the lease, and accordingly, these leases have been accounted for as freehold land. As a result, the useful life of buildings are not adjusted in line with the expiry of the lease period.

Significant unobservable valuation input:	*KD*
Price per square meter	525

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Fair value measurement disclosures for investment properties are disclosed in Note 26.2.

7. TERM DEPOSITS

These represent deposits in Islamic products placed with local and foreign banks with a maturity of more than three months. Deposits with local banks carry an average rate of return of 3.5% (2018: 2.125%) per annum and deposits with foreign banks carry a rate of return of 8.25% to 12% (2018: 8.25% to 12%) per annum.

Term deposits amounting to KD 1,148,200 are pledged against letters of guarantees provided to the Group by its bank (Note 27).

8. INVENTORIES

	2019	*2018*
	KD	*KD*
Finished goods and goods for resale	**348,167**	403,956
Spare parts and consumables	**351,740**	426,756
	699,907	830,712
Less: provision for slow moving and obsolete inventories	**(41,594)**	(500,000)
Total inventories at the lower of cost and net realisable value	**658,313**	330,712

Set out below is the movement in the provision for slow moving and obsolete inventories:

	2019	*2018*
	KD	*KD*
As at 1 January	**500,000**	500,000
Reversal of provision	**(426,598)**	-
Write-offs	**(31,808)**	-
As at 31 December	**41,594**	500,000

Inventories recognised as an expense during the year ended 31 December 2019 amounted to KD 197,482 (2018: KD 167,440). These were included in cost of sales and cost of providing services.

The Group reversed KD 426,598 of a previously recognised inventory write-down, as the Group began consuming the inventory that had been written down. The amount reversed has been included in 'net impairment losses and other provisions' in the consolidated statement of profit or loss.

Notes to the consolidated financial statements
For the year ended 31 December 2019

9. TRADE AND OTHER RECEIVABLES

	2019	2018
	KD	KD
Trade receivables	**2,043,647**	2,888,770
Less: Allowance for expected credit losses	**(1,506,306)**	(2,443,585)
	537,341	445,185
Refundable deposits	**77,431**	46,383
Advances to suppliers	**113,183**	479,071
Staff receivables	**42,918**	57,005
Prepayments	**224,874**	131,862
Accrued income*	**594,796**	419,204
Other receivables	**1,423,186**	1,080,006
	3,013,729	2,658,716

* Accrued income primarily relates to the Group's rights to consideration for work completed but not billed at the reporting date. Accrued income is transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. While accrued income is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The net carrying value of trade receivables is considered a reasonable approximation of fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

Note 23.1 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses on the Group's trade receivables. Other classes within accounts receivable do not contain impaired assets.

Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2019	2018
	KD	KD
As at 1 January	**2,443,585**	2,366,371
(Reversal of) charge of allowance recognised during the year (Note 17)	**(100,763)**	82,988
Write-offs	**(791,326)**	-
Exchange differences	**(45,190)**	(5,774)
As at 31 December	**1,506,306**	2,443,585

10. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	2019	*2018*
	KD	*KD*
Cash on hand	**13,038**	22,147
Cash at banks and financial institutions	**1,224,313**	2,207,008
Short-term deposits	**543,775**	18,929
Total cash and cash equivalents in consolidated statement of financial position	**1,781,126**	2,248,084
Less: restricted cash balances	**(39,872)**	(32,130)
Total cash and cash equivalents in consolidated statement of cash flows	**1,741,254**	2,215,954

Short-term deposits are made for varying periods of between one week and one month, depending on the immediate cash requirements of the Group, and earn profit at the respective short-term deposit rates.

Restricted cash balances are held for bank guarantees provided to the Group by its bank are not available for use in day-to-day operations.

11. EQUITY

a) Share capital

	Number of shares		*Authorised, issued and fully paid*	
	2019	*2018*	*2019*	*2018*
			KD	*KD*
Shares of 100 fils each (paid in cash)	**200,000,000**	200,000,000	**20,000,000**	20,000,000

b) Share premium

This represents the difference between the nominal value of the shares issued and the subscription or issue price. The reserve is not available for distribution except in cases stipulated by the Companies Law.

12. TREASURY SHARES

	2019	*2018*
Number of treasury shares	**277,468**	277,468
Percentage of issued shares (%)	**0.14%**	0.14%
Market value (KD)	**5,827**	7,908
Cost of treasury shares (KD)	**181,866**	181,866

Reserves equivalent to the cost of the treasury shares held are not available for distribution throughout the holding period of treasury shares.

Notes to the consolidated financial statements
For the year ended 31 December 2019

13. EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision for employees' end of service benefits is as follows:

	2019	*2018*
	KD	*KD*
As at 1 January	**625,406**	762,643
Net charge for the year	**216,829**	91,339
Payments	**(205,087)**	(244,819)
Exchange differences	**(20,536)**	16,243
As at 31 December	616,612	625,406

14. TRADE AND OTHER PAYABLES

	2019	*2018*
	KD	*KD*
Non-current liabilities		
Refundable deposits	**20,043**	18,893
Current liabilities		
Trade payables	**362,872**	363,712
Dividends payable	**403,008**	403,008
Accrued expenses	**170,349**	175,491
Provision for legal expenses	**43,068**	50,000
Accrued staff leave	**102,062**	108,534
Other payables	**1,606,786**	1,239,692
	2,688,145	2,340,437

15. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2019
	KD
As at 31 December 2018	-
Effect of adopting IFRS 16 (Note 2.2)	178,577
Finance costs	8,804
Payments	(40,800)
As at 31 December 2019	**146,581**

	2019
	KD
Current portion	37,572
Non-current portion	109,009
	146,581

The weighted average incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position is 5.5%.

The maturity analysis of lease liabilities are disclosed in Note 23.2.

The following are the amounts recognised in profit or loss related to right-of-use assets and lease liabilities:

	2019
	KD
Depreciation expense of right-of-use assets	35,716
Finance costs on lease liabilities	8,804
Total amount recognised in profit or loss	**44,520**

16. REVENUE FROM CONTRACTS WITH CUSTOMERS

16.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	2019	*2018*
	KD	*KD*
Types of goods or services:		
Sale of goods	**109,051**	87,083
Rendering of services	**2,586,970**	2,815,255
	2,696,021	2,902,338
Timing of revenue recognition:		
Goods and services transferred at a point in time	**109,051**	87,083
Goods and services transferred over time	**2,586,970**	2,815,255
	2,696,021	2,902,338

	2019	*2018*
	KD	*KD*
Geographical markets		
Kuwait	**1,851,313**	1,680,785
Sudan	**47,095**	311,301
Iraq	**16,110**	59,117
Pakistan	**781,503**	851,135
	2,696,021	2,902,338

16.2 Contract balances

	2019	*2018*
	KD	*KD*
Trade receivables (Note 9)	**537,341**	445,185
Accrued income (Note 9)	**594,796**	419,204

Notes to the consolidated financial statements
For the year ended 31 December 2019

17. NET IMPAIRMENT LOSSES AND OTHER PROVISIONS

	2019 KD	2018 KD
Impairment of goodwill (Note 4)	**4,232,926**	-
Reversal of provision relating to inventories (Note 8)	**(426,598)**	-
Net (reversal) charge of expected credit losses on trade receivables (Note 9)	**(100,763)**	82,988
Other provisions	**38,930**	-
	3,744,495	82,988

18. GENERAL AND ADMINISTRATIVE EXPENSES

	2019 KD	2018 KD
Staff costs	**890,484**	732,651
Legal and professional fees	**156,455**	114,370
Rent expenses for short-term leases	**127,720**	85,497
Consultancy fees	**136,550**	78,455
Depreciation on property, plant and equipment	**70,530**	24,214
Depreciation on investment properties	**65,308**	65,307
Other expenses	**317,226**	285,821
	1,764,273	1,386,315

19. EARNINGS PER SHARE (EPS)

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

	2019 KD	2018 KD
Loss for the year attributable to equity holders of the Parent Company (KD)	**(4,773,174)**	(534,690)
Weighted average number of shares outstanding (shares)*	**199,722,532**	199,722,532
Basic and diluted EPS (fils)	**(23.90)**	(2.68)

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2019

20. PROPOSED DIVIDENDS, DIRECTORS' REMUNERATION AND ANNUAL GENERAL ASSEMBLY MEETING (AGM)

The Board of Directors of the Parent Company did not propose any cash dividends or bonus shares for the year ended 31 December 2019. Further, no directors' remuneration has been proposed for the year then ended.

The annual general assembly meeting ("AGM") of the shareholders of the Parent Company held on 14 May 2019 approved the consolidated financial statements for the year ended 31 December 2018. No cash dividends or bonus shares were declared for the year then ended.

21. MATERIAL PARTLY-OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests is provided below:

Proportion of equity interest held by non-controlling interests:

Name	***Country of incorporation and operation***	***2019***	*2018*
Senergy Services Company K.S.C. (Closed) ("Senergy Services")	Kuwait	**4.13%**	5.43%
Eastern National Oilfield Services Company K.S.C. (Closed) ("ENOS")	Kuwait	**13.29%**	13.29%
Eastern International Testing Services Company W.L.L. ("EITS")	Kuwait	**30.00%**	30.00%

	2019	*2018*
	KD	*KD*
Accumulated balances of material non-controlling interest:		
Senergy Services	**456,719**	603,441
ENOS	**898,481**	889,602
EITS	**923,490**	793,038

	2019	*2018*
	KD	*KD*
Profit (loss) allocated to material non-controlling interest:		
Senergy Services	**(22,670)**	(9,562)
ENOS	**8,888**	37,141
EITS	**171,457**	(58,446)

The summarised financial information of these subsidiaries, based on amounts before inter-company eliminations, is provided below.

Notes to the consolidated financial statements
For the year ended 31 December 2019

Summarised statement of comprehensive income

	Senergy Services		*ENOS*		*EITS*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Revenue	**522,373**	1,041,501	**2,321,340**	2,493,730	**1,541,220**	861,204
Expenses	**(1,071,817)**	(1,239,162)	**(2,254,445)**	(2,214,178)	**(969,698)**	(1,056,023)
Profit for the year	**(549,444)**	(197,661)	**66,895**	279,552	**571,522**	(194,819)
Other comprehensive income	**(136,747)**	(423,178)	**(67)**	(7,187)	**(136,685)**	(385,992)
Total comprehensive income	**(686,191)**	(620,839)	**66,828**	272,365	**434,837**	(580,811)
Attributable to NCI	**(28,340)**	(26,273)	**8,879**	36,186	**130,451**	(174,244)

Summarised statement of financial position

	Senergy Services		*ENOS*		*EITS*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Current assets	**8,674,637**	9,587,931	**5,424,768**	5,830,515	**3,065,242**	2,616,825
Non-current assets	**6,451,018**	7,284,187	**4,274,924**	4,379,208	**523,379**	730,631
TOTAL ASSETS	**15,125,655**	16,872,118	**9,699,692**	10,209,723	**3,588,621**	3,347,456
Current liabilities	**4,205,127**	5,364,983	**2,599,255**	3,268,805	**355,247**	493,128
Non-current liabilities	**436,720**	378,142	**337,822**	245,131	**155,077**	210,868
TOTAL LIABILITIES	**4,641,847**	5,743,125	**2,937,077**	3,513,936	**510,324**	703,996
TOTAL EQUITY	**10,483,808**	11,128,993	**6,762,615**	6,695,787	**3,078,297**	2,643,460
Attributable to:						
Equity holders of the Parent Company	**10,051,254**	10,525,552	**5,864,134**	5,806,185	**2,154,807**	1,850,422
Non-controlling interests	**432,554**	603,441	**898,481**	889,602	**923,490**	793,038

Summarised statement of cash flows

	Senergy Services		*ENOS*		*EITS*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*	***KD***	*KD*
Cash flows from operating activities	**99,358**	2,577,598	**5,844**	1,940,050	**178,188**	258,882
Cash flows from (used in) investing activities	**7,802**	(2,271,692)	**158,992**	(1,465,872)	**(197,403)**	(252,169)
Cash flows from financing activities	-	-	-	-	**86,494**	46,111
Net increase in cash and cash equivalents	**107,160**	305,906	**164,836**	474,178	**67,279**	52,824

22. RELATED PARTY DISCLOSURES

Related parties represent major shareholders, associates, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management and are subject to the approval of the shareholders at the annual general assembly meeting (AGM).

The following tables show the aggregate value of transactions and outstanding balances with related parties:

	2019	*2018*
	KD	*KD*
Consolidated statement of financial position:		
Financial assets at fair value through profit or loss	**2,842**	5,801
Right-of-use assets (included within property, plant and equipment)	**142,861**	-
Lease liabilities	**146,581**	-
Receivables from related parties	**1,006,819**	1,248,970
Consolidated statement of profit or loss:		
General and administrative expenses	**3,092**	2,473

Terms and conditions of transactions with related parties

Transaction with related parties are made on terms approved by the Group's management. Outstanding balances at the year-end are unsecured, non-profit bearing and repayable on demand. There have been no guarantees provided or received for any related party receivables.

Key management personnel

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

	Transaction values for the year ended 31 December		*Balance outstanding as at 31 December*	
	2019	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*
Salaries and other short-term benefits	**384,109**	338,537	**55,040**	56,260
Employees end of service benefits	**22,827**	29,700	**8,059**	29,700
	406,936	368,237	**63,099**	85,960

23. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise of trade and other payables and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and short-term deposits, amounts due from related parties and trade and other receivables that derive directly from its operations. The Group also holds investments in securities.

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

23.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

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

	2019	*2018*
	KD	*KD*
Bank balances and term deposits	**3,598,451**	3,985,911
Trade and other receivables (excluding prepaid expenses and advances)	**2,675,672**	2,047,783
Amounts due from related parties	**1,006,819**	1,248,970
	7,280,942	7,282,664

Balances with banks and short-term deposits

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

Balances with banks and short-term deposits (continued)

Impairment on cash and cash equivalents and term deposits has been measured on a 12 month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and CBK guarantee of deposits placed with local banks.

Trade receivables and accrued income

The Group uses a provision matrix based on the Group's historical observed default rates to measure the ECLs of trade receivables and accrued income from individual customers. The Group assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 120 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The Group does not hold collateral as security.

The 5 largest customers account for 52% (2018:83%) of outstanding trade receivables at 31 December 2019. Accrued income is primarily receivable from a government sector entity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Days past due	
31 December 2019	***Total***	***< 120 days***	***121–365 days***	***> 365 days***
	KD	***KD***	***KD***	***KD***
Expected credit loss rate		**0%**	**92%**	**95%**
Estimated total gross carrying amount at default	**2,638,443**	**1,040,329**	**600,421**	**997,693**
Expected credit loss	**1,506,306**	-	**553,925**	**952,381**

			Days past due	
31 December 2018	*Total*	*< 120 days*	*121–365 days*	*> 365 days*
	KD	*KD*	*KD*	*KD*
Expected credit loss rate		0%	94%	95%
Estimated total gross carrying amount at default	3,307,974	727,620	164,164	2,416,190
Expected credit loss	2,443,585	-	155,100	2,288,485

Other receivables

Other receivables are considered to have a low risk of default and management believes that the counterparties have a strong capacity to meet contractual cash flow obligations in the near term. As a result, the impact of applying the expected credit risk model at the reporting date was immaterial.

23.2 Liquidity risk

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

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to the Group on acceptable terms. To limit this risk, management has arranged for diversified funding sources and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on an ongoing basis. The Group's credit sales require amounts to be paid within 60 days of the date of invoice and trade payables are normally settled within 60 to 90 days from the date of purchase.

The table below summarises the maturity profile of the Group's liabilities based on contractual undiscounted payments:

	Less than 3 months KD	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
31 December 2019				
Trade and other payables (excluding provisions)	-	**2,688,145**	**20,043**	**2,708,188**
Lease liabilities	**9,393**	**28,179**	**109,009**	**146,581**
	9,393	**2,716,324**	**129,052**	**2,854,769**

	Less than 3 months KD	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
31 December 2018				
Trade and other payables (excluding provisions)	-	2,340,437	18,893	2,359,330
	-	2,340,437	18,893	2,359,330

23.3 Market risk

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

a) Foreign exchange risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group incurs foreign currency risk on transactions denominated in a currency other than the KD. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

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

The following tables set out the Group's exposure to foreign currency exchange rates on monetary financial assets and (liabilities) at the reporting date:

Currency	***2019 Equivalent KD***	*2018 Equivalent KD*
(US Dollar (USD	**1,109,425**	2,621,780
(Pakistani rupee (PKR	**270,382**	36,623
(Bahraini Dinar (BHD	**163,472**	205,511

Foreign exchange rate sensitivity

The following table demonstrates the effect of a reasonably possible change in the aforementioned exchange rates, with all other variables held constant. The impact on the Group's profit/loss due to changes in the fair value of monetary assets and liabilities is as follows:

	2019			***2018***	
	Change in exchange rate	***Effect on profit***	***Effect on equity***	*Effect on profit*	*Effect on equity*
Currency		***KD***	***KD***	*KD*	*KD*
USD	**5%**	**1,300**	**54,172**	33,951	97,138
PKR	**5%**	**-**	**13,519**	-	1,831
BHD	**5%**	**-**	**8,174**	-	10,276

There has been no change in the methods and the assumptions used in the preparation of the sensitivity analysis.

An equivalent increase/decrease in each of the aforementioned currencies against the KD would have resulted in an equivalent but opposite impact.

b) Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

The Group is subject to limited exposure to profit rate risk due to the fact that this comprises of term deposits invested with financial institutions in Islamic investment products which are fixed-rate instruments and may be repriced immediately based on market movement in profit rates.

c) Equity rate risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio. The Group's exposure to equity price risk is not significant as its investment portfolio mainly comprises of unquoted equity securities, where the Group does not hold any material positions.

24. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

Investment management:	The investment management segment is responsible for investing surplus funds in portfolios to maximise returns, incorporate or acquire subsidiaries expand the Group's operations, and to maintain an adequate capital base to sustain future development of the business.
Drilling and maintenance:	Support activities to drilling of oil wells and related maintenance.

The following tables present revenue and profit information for the Group's operating segments for the year ended 31 December 2019 and 2018, respectively:

	Year ended 31 December 2019			*Year ended 31 December 2018*		
	Investment management KD	***Drilling and maintenance KD***	***Total KD***	*Investment management KD*	*Drilling and maintenance KD*	*Total KD*
Revenue from contracts with customers	**14,330**	**2,681,691**	**2,696,021**	23,959	2,878,379	2,902,338
Rental income	**282,805**	**-**	**282,805**	321,571	-	321,571
Commission income	**-**	**195,623**	**195,623**	-	189,113	189,113
Unrealised loss on financial assets at fair value through profit or loss	**(1,170)**	**-**	**(1,170)**	-	-	-
Income from Islamic deposits	**3,902**	**20,820**	**24,722**	9,522	-	9,522
Net foreign exchange differences	**(1,164)**	**8,976**	**7,812**	(2,609)	(14,312)	(16,921)
Other income, net	**53,034**	**64,756**	**117,790**	17,150	90,940	108,090
Total income	**351,737**	**2,971,866**	**3,323,603**	369,593	3,144,120	3,513,713
Cost of sales of goods and cost of providing services	**(7,809)**	**(2,343,512)**	**(2,351,321)**	(16,221)	(2,491,163)	(2,507,384)
General and administrative expenses	**(1,210,059)**	**(554,214)**	**(1,764,273)**	(832,141)	(554,174)	(1,386,315)
Net impairment (losses) reversals and other provisions	**(4,318,264)**	**573,769**	**(3,744,495)**	-	(82,988)	(82,988)
Finance costs	**(8,804)**	**-**	**(8,804)**	-	-	-
Taxation from foreign subsidiaries	**-**	**(73,623)**	**(73,623)**	-	(105,028)	(105,028)
Total expenses and other charges	**(5,544,936)**	**(2,397,580)**	**(7,942,516)**	(848,362)	(3,233,353)	(4,081,715)
Segment loss	**(5,193,199)**	**574,286**	**(4,618,913)**	(478,769)	(89,233)	(568,002)

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2019 and 31 December 2018, respectively:

	December 2019 31			*December 2018 31*		
	Investment management KD	***Drilling and maintenance KD***	***Total KD***	*Investment management KD*	*Drilling and maintenance KD*	*Total KD*
Total assets	**4,626,053**	**11,083,727**	**15,709,780**	5,089,806	14,979,895	20,069,701
Total liabilities	**2,404,554**	**1,066,827**	**3,471,381**	2,049,591	935,145	2,984,736
Goodwill	**2,114,531**	**472,939**	**2,587,470**	6,347,457	472,939	6,820,396

25. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maximise the shareholder value.

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

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the Parent Company and is measured at KD 9,956,861 as at 31 December 2019 (2018: KD 14,768,432). No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

26. FAIR VALUE MEASUREMENT

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

- Level 1 - 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

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

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

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

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

Notes to the consolidated financial statements
For the year ended 31 December 2019

Set out below are a summary of financial instruments and non-financial assets measured at fair value on a recurring basis, other than those with carrying amounts that are reasonable approximations of fair values:

Financial instruments	***2019*** ***KD***	*2018* *KD*
(Investment securities (at fair value		
Unquoted equity securities	**83,784**	86,994

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

- Cash and short-term deposits
- Accounts receivables and other assets
- Lease liabilities
- Other liabilities

Valuation methods and assumptions

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

26.1 Financial instruments

Unlisted equity investments

The Group invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Group uses a market-based valuation technique for the majority of these positions. The Group determines and calculates an appropriate trading multiple based on related industry average. The trading multiple is then discounted for considerations such as illiquidity and based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding asset and earnings measure of the investee company to measure the fair value. The Group classifies the fair value of these investments as Level 3.

Reconciliation of fair value measurement of non-listed equity investments classified as equity instruments designated at fair value through OCI (FVOCI) and at fair value through profit or loss (FVPL):

31 December 2019	***Financial assets at FVOCI***	***Financial assets at FVTPL***	***Total***
	KD	***KD***	***KD***
As at 1 January 2019	81,193	5,801	86,994
Remeasurement recognised in profit or loss	-	(1,170)	(1,170)
Purchases / sales (net)	(251)	(1,789)	(2,040)
As at 31 December 2019	80,942	2,842	83,784

31 December 2018	*Financial assets at FVOCI*	*Financial assets at FVTPL*	*Total*
	KD	*KD*	*KD*
As at 1 January 2018	-	6,674	6,674
IFRS 9 reclassification adjustment	323,985	-	323,985
Remeasurement recognised in OCI	(25,775)	-	(25,775)
Purchases / sales (net)	(217,017)	(873)	(217,890)
As at 31 December 2018	81,193	5,801	86,994

The Group has also performed a sensitivity analysis by varying key input factors by 5%. Based on such analysis, no significant changes in fair values were noted.

26.2 Non-financial assets

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

		Fair value measurement using		
	Total	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
31 December 2019	***KD***	***KD***	***KD***	***KD***
Assets for which fair values are disclosed:				
Investment properties (Note 6)	**3,448,000**	-	**3,448,000**	-
31 December 2018				
Assets for which fair values are disclosed:				
Investment properties	3,448,000	-	3,448,000	-

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

27. COMMITMENTS AND CONTINGENCIES

Legal claim contingency

The Group had an investment in a joint venture i.e. Emirates Western Petroleum Services W.L.L. ("Emirates Western"), a joint venture incorporated in United Arab Emirates and indirectly held by the Group through Senergy Services Company K.S.C.C. ("Subsidiary"). On 21 July 2016, the co-venturer filed a legal action against the Subsidiary in relation to alleged non-performance under a management agreement claiming an amount of AED 35,348,822 (equivalent to KD 2,928,990) in addition to the legal expenses and 12% delay interest.

On 20 November 2016, the Subsidiary filed a counter claim before the court, requesting the appointment of a committee of experts to investigate the violations of the co-venturer and evaluate the damages and losses the Subsidiary incurred due to such breach.

On 23 April 2019, an unfavourable judgement was handed down against the Subsidiary. However, the Subsidiary appealed against the decision. No payments have been made to the claimant pending outcome of the appeal. If upheld, a payment of AED 37,553,001 (equivalent to KD 3,108,151) will be required to settle the claim; in addition to the legal expenses and 5% delay interest until the final ruling.

On 29 October 2019, the Court of Appeal accepted the appeal filed by the Subsidiary and issued a preliminary verdict to postpone the decision on the subject matter and assign a panel of three experts to verify the elements of the appeal and submit their findings accordingly. Notwithstanding the above, there is an uncertainty relating to the final outcome of this claim at the date of authorisation of these consolidated financial statements. Accordingly, no provision for any liability has been recognised by the Group in relation to this claim as at 31 December 2019.

Other contingent liabilities

	2019	*2018*
	KD	*KD*
Letters of guarantee	**1,646,673**	2,151,588
Letters of credit	**30,252**	-

The Group has contingent liabilities in respect of bank guarantee and letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. Bank balances amounting to KD 39,872 (2018: KD 32,130) are restricted against letters of guarantee provided to the Group by its bank (Note 10).

Term deposits amounting to KD 1,148,200 are mortgaged against letters of guarantees provided to the Group by its bank (Note 7).

Operating lease commitments – Group as a lessor

The Group has entered into operating leases on its investment property portfolio. These leases have terms of between one and two years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions.

Future minimum rentals receivable under operating leases as at 31 December are, as follows:

	2019	*2018*
	KD	*KD*
Within one year	**226,088**	202,203
After one year, but not more than 5 years	**165,099**	268,518
	391,187	470,721

Operating lease commitments – Group as a lessee

Future minimum operating lease commitments as at the reporting date are, as follows:

	2019	*2018*
	KD	*KD*
Within one year	**35,454**	76,264
After one year but not more than five years	**-**	163,200

28. SUBSEQUENT EVENT

Subsequent to the reporting date, the coronavirus (COVID-19) outbreak has resulted in a significant drop in demand for goods and services and supply chain disruptions. There is also high volatility in the financial markets worldwide. The existing and anticipated effects of the outbreak of COVID-19 on the global economy and financial markets is expected to continue to evolve. The scale and duration of these developments remain uncertain at this stage but could negatively impact the Group's financial performance, cash flows and financial position. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements.