



دیمه dimah
capital كابتال

Dimah Capital Investment Company (KSC Closed)

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His Highness
Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah
The Amir of the State of Kuwait



His Highness
Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah
The Crown Prince of the State of Kuwait

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TABLE OF CONTENTS

Board of Directors	08
Chairman's Message	09
Fatwa and Shari'a Supervisory Board Report	11
External Sharia Audit report for	13
Governance Report	15
Audit Committee Report Dimah Capital	26
External Auditor (Independent auditor)	27
Independent Auditor's report	29
Acknowledgment and pledge	32
Consolidated Financial Statements	33

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BOARD OF

Directors

Mr. Nawaf Hussain Marafi

Chairman

Mr. Hosam Nasser Al Muzaiel

Vice Chairman

Mr. Yousef Khaled Al Marzook

Board Member

Mr. Fahad Abdulrahman Al Sanea

Board Member

Mr. Fouad Saleh Al Shehab

Board Member - Independent Member

Chairman's Message

In the name of Allah the Most Gracious the Most Merciful. Blessings and peace be upon the most noble of Messengers, Prophet Mohammad and upon his family and companions.

Assalamu Alaikum wa Rahmatullahi wa Barakatuh

On behalf of the Board of Directors of Dimah Capital Investment Company K.S.C.C., it gives me great pleasure to welcome you to the annual ordinary general assembly meeting, and I thank you for your generous attendance. I present to you the 12th annual report, which contains the consolidated financial statements of Dimah Capital for the year ended 31/12/2017; the Independent Auditor's report; the Fatwa and Sharia'a Supervisory Board report; the External Sharia'a Auditor's report; the Corporate Governance report; the Audit Committee report; and the key financial performance indicators of the Company for the year then ended.

Honorable Shareholders,

Thanks to Allah Almighty, year 2017 was remarkable to Dimah Capital on multiple levels. Despite the big challenges facing the company resembled in the global harsh economic conditions along with the rapid geopolitical change in the region, the Company succeeded in maintaining growing profitability and geographic expansion in its asset portfolio, in addition to putting together an integrated team of skilled young professionals aiming at achieving the ambitions of our valued shareholders and investors. We believe that our professionalism and transparency with the regulatory bodies, shareholders, and investor has resulted in facilitating dealing with the regulators in licensing our investment products on one hand, and in attracting further individual and corporate investors on the other hand. Holding on this belief and professionalism will lead to further performance rising in the upcoming years Inshallah.

Honorable Shareholders,

Thanks to Allah Almighty, at the end of 2017, the Company has achieved total revenues of KD 3,556,915, an increase of 40% compared to KD 2,538,466 in 2016, resulted in a net profit of KD 1,363,833 compared to KD 1,219,001 in 2016, an increase of 12%. Earnings per share registered 9.1 fils compared to 8.1 fils in 2016. The Company's total assets amounted to KD 24,848,478, and shareholders' equity increased to KD 22,108,288 by 13% from KD 19,531,908 in 2016.

Accordingly, the Board of Directors recommends the distribution of a 5% cash dividend (5 fils per share), a total value of KD 750,000 (Kuwaiti Dinar Seven Hundred Fifty Thousand Only). The Board is also seeking your approval for KD 30,000 as a compensation for Board Members for their efforts in 2017, and as a motive to achieve even better results in the future.

Honorable Shareholders,

During 2017, the Company has maintained expanding and spreading in the international real estate market, geographic and sector wise. The Company, with its investors, has succeeded in seizing a number of prime real estate opportunities in different industries in the US and UK. In the first quarter of 2017, we acquired “Residence Inn” hotel in Washington DC at a total cost of approximately USD 61.23 million. While in the second quarter of the same year, we acquired “West Gate Shopping Park” in UK at a total cost of GBP 34.7 million. At the end of 2017, we acquired an industrial portfolio consisting of 26 properties spreading over 16 US states at a total cost of USD 158.5 million. The Company has also succeeded in exiting “PrimeLife Care Homes” in the UK at a 13.5% IRR over a 4-year investment period.

Honorable Shareholders,

Lastly, I would like to thank all the shareholders for their generous confidence and continuous support, we hope to maintain this mutual trust leading to further growth and development in the Company’s performance. I also thank my fellow Board Members and the Company’s working team, including the Executive Management and all staff, as all such success would never be accomplished without their efforts and dedication. We pray to Allah Almighty to bless our efforts so that we can achieve our goals of growth and spread.

I thank you again for your attendance and listening, and I pray to Allah to grant us more and more success.



Nawaf H. Marafi
Chairman

Fatwa and Sharia Supervisory Board Report of Dimah Capital Investment Company

Praise be to Allah, and Peace and Blessings be upon our Prophet, and His Family and Companions

Dear Shareholders of Dimah Capital Investment Co,
May Allah's Peace, Mercy and Blessings Be upon you,

You have assigned us the task of reviewing the contracts and transactions completed by the Company during the period from 1 January 2017 to 31 December 2017. Our responsibility entailed expressing an independent opinion regarding the Company's compliance with the principles of Sharia while carrying out its business activities.

The Sharia Supervisory Unit has completed its audits in accordance with the standards and regulations of the Accounting and Auditing Organization for Islamic Financial Institutions. This organization requires formal planning and execution of audits in order to ascertain all required information, explanations and acknowledgements to confirm the Company's compliance with the principles of Sharia. We believe that the audit report and activities carried out by the Sharia Supervisory Unit provides a satisfactory basis for expressing a reasonable opinion.

The execution of contracts and transactions in accordance with the principles of Sharia is the sole responsibility of the Company's Management.

The Fatwa and Sharia Supervisory Board certifies:

1. The Company has fulfilled its duties in executing contracts and transactions in accordance with principles of Sharia for the period from 1 January 2017 to 31 December 2017.
2. All revenues resulted from sources or methods that are prohibited by Islamic Sharia have been set aside to be disposed of in charity.
3. The calculation of Zakat has been conducted in accordance with the principles approved by the Fatwa and Sharia Supervisory Board, which has concluded that Zakat due on Dimah Capital Investment Co. for the year ended 31 December 2017 amounts KD 106,214, in light of the Fatwa and Sharia Supervisory Board's decisions regarding Zakat calculation. An amount of KD 14,291 shall be deducted from the abovementioned amount, being the amount paid to the

Ministry of Finance in application of Law No. 46 of 2006 concerning Zakat and contribution of Public and Closed Shareholding Companies in the State's budget, which shall be transferred to the Kuwait Zakat House. As for the remaining balance of KD 91,923, shareholders at the General Assembly Meeting may either authorize the Board to disburse the amount under the supervision of the Fatwa and Sharia Supervisory Board, or each shareholder may pay the due Zakat on his shares (KD 0.000613 per share) if shareholding was active as on 31 December 2017.

May Allah bless our Prophet Muhammad, His Family and Companions.

Praise be to Allah, Lord of the Worlds.

Fatwa and Sharia Supervisory Board Members



Dr. Nayef Mohammed Al-Ajmi
(President)



Dr. Nathem Mohammed AlMisbah



Dr. Sulaiman Marafie Safar



Dr. Khaled Shajjaa-ALotaibi



Dr. Ibrahim Abdullah Al-Subai

External Sharia Audit report for Dimah Capital Investment Company

Dear Shareholders of Dimah Capital Investment Company

Assalam Alaykom Wa Rahmatullah Wa Barakatoh
Peace and God's mercy and blessings be upon you

According to our contract with Dimah Capital Investment Company, under which we have been assigned to carry out the external Sharia audit work for the Company, we present the following report:

First: Scope of Work

We have audited and reviewed the Company's transactional contracts and all related documents signed by the company in the financial year ending 31 December 2017. This was done to form our opinion on whether or not the Company acted in compliance with Islamic Sharia principles and rules in accordance with the resolutions, guidelines and opinions issued by the Fatwa and Sharia Supervisory Board.

Second: Responsibility of the Company

The Company's Management is responsible for compliance with the Islamic Sharia provisions and principles in accordance with the specific resolutions, guidelines and opinions issued by the Fatwa and Sharia Supervisory Board of the Company

Third: Responsibility of the External Sharia Auditor

Our responsibility is to review all transactions conducted by the Company to ensure their compliance with the resolutions of the Fatwa and Sharia Supervisory Board of the Company, and issue a report in this regard to the Company's shareholders in accordance with the Capital Markets Authority regulations.

Fourth: Description of the External Sharia Audit Work

In order to complete the requested work, we have planned and executed the external Sharia audit work according to professionally recognized standards. The completed work included inspecting the Company's Sharia audit system, which is comprised of the Fatwa and Sharia Supervisory Board and the internal Sharia Auditor.

We have also audited the Company's transactions and obtained the necessary explanations and evidence to ensure compliance with the specific decrees, resolutions and guidelines issued by the Company's Fatwa and Sharia Supervisory Board. Our work also included reviewing the company's annual financial statement and their explanatory notes.

All information and explanations obtained, provided us with sufficient evidence to reasonably assess the Company's compliance with the provisions and principles of the Islamic Sharia as outlined by the Fatwa and Sharia Supervisory Board of the Company.

Fifth: our opinion

In our opinion, the contracts and transactions executed by the Company during the financial year ended 31 December 2017 were in compliance with the provisions and principles of Islamic Sharia as outlined by the Company's Fatwa and Sharia Supervisory Board.

Allah the Al-Mighty is the best Guardian

Shura Sharia Consultancy
Hamad Hethal Al Mezied

Governance Report

Values and ethical behavior

Dimah Capital Investment Company K.S.C. (Closed) adopts an operational philosophy focusing on the values and ethical behavior; which is considered the main pillar for all legal and regulatory obligations. The Company is committed to continuously achieving the core objectives of Corporate Governance through timely abiding to the tools and controls set by the CMA as indices for sound governance. Such indicators, amongst others, were implemented not only on the Board level, but on all levels of the Company as well.

Our governance objective is to create a sound environment based on sound values and ethical behavior governed by principles (transparency, justice, integrity and fair treatment) in addition to the principles that empowered the organization of relationships between individuals, such as (trustiness, honesty, sincerity, and honor). As the Company seeks in these principles a safe haven against the embedded risks in the security markets.

Company's administrative and general structure

The Company has developed a balanced administrative structure based on having balanced Corporate Levels, each of which having a specific purpose and job description, where each of these levels is filled with individuals with ethical eligibility, qualifications, and technical experience according to fit and proper criteria specified by the Executive Regulations of CMA Law and its executive regulations. In addition to creating a sound environment of effective teamwork, the Company has created a healthy and active working environment allowing every individual in the administrative structure to perform its specified job without being detached from the rest of the team, by:

1. The clear definition of roles and responsibilities of each member in addition to having a clear job description.
2. Safe sharing and disclosure of information according to the administrative level of each individual as per the legally allowed limits and regularized by the disclosure standards.

Board of Directors

• Board approach in management

The Board always seeks to keep balance between strategic leadership for developing and reviewing of a vision that insures achieving Shareholders objectives and safeguarding their rights on one hand, and on the other hand to follow up with the Executive Management. This is because the Board will not be able to achieve goals or safeguard rights without insuring that the Executive Management is properly discharging its responsibilities, and its decisions are always made for the benefit of the Shareholders.

• Board Composition

The Board is composed of 5 members with the required ethical and legal eligibilities for their roles, in addition to having a diversity of academic, professional, and technical expertise as well as full knowledge and awareness regarding capital market activities and its embedded risks. In additions, CMA has approved the Board composition including all members in terms of nomination and appointment. The Board composition is as follows:

Nawaf Hussain Marafi
Chairman – non-executive

Mr. Nawaf enjoys more than 20 years of experience in several fields including financial and petroleum services. He is currently a member of several company boards and has been the Chairman of Dimah Capital since June 2015. In addition, he is a Board Member and the CEO of Al Imtiaz Investment Group. He holds a Bachelor’s degree in Mechanical Engineering from Michigan University – USA in 1996 and a Master’s Degree in Business Administration with honor from Cardiff University – UK in 2005.

Husam Nasser Al Muzaiel
Vice Chairman - CEO

A holder of Bachelor’s Degree in accounting in 1995 from Cairo University and a graduate from KIA program in 1998. He has 22 years of experience in the field of financial and investment business management as well as managing real estate investments locally and internationally. He has been the CEO of Dimah Capital since March 2016 and a Board Member since June 2014.

Fouad Saleh Al Shehab
Board Member – Independent Member

Holder of Bachelor’s Degree in Management and Economics in 1977 from Saint Thomas University, USA. He has 37 years of experience in the field of investment business management, financing, finance affairs, and asset management. He has been a Board Member of Dimah Capital since November 2016.

Yousif Khaled Al Marzouq
Board Member – non-executive

Holder of an equivalent to the Master’s degree – bank credit management – in 2004 from the Financial and Banking Studies institute, Kuwait, and the Bachelor’s Degree in General Management in 2000 from California’s San Bernardino University, USA. He has 15 years of experience in the field of local and international investment. He has been a Board Member of Dimah Capital since February 2014.

Fahad Abdul Rahman Al Sane
Board Member – non-executive

Holder of the Master’s degree in business management from Dukes University, USA in 2003. He has 17 years of experience in the field of investment, finance, financial affairs, and asset management. He has been a Board Member of Dimah Capital since September 2016.

The Board has Conducted 9 meetings during 2017 with attendance ratio of 87% according to the following statistics:

Member	Meeting No. (1) held on 18/1	Meeting No. (2) held on 19/2	Meeting No. (3) held on 15/3	Meeting No. (4) held on 30/4	Meeting No. (5) held on 10/7	Meeting No. (6) held on 1/8	Meeting No. (7) held on 1/8	Meeting No. (8) held on 31/10	Meeting No. (9) held on 27/12	No. of meetings
Nawaf Hussain Marafi	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Husam Nasser Al Muzaiel	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Fouad Saleh Al Shehab	✓	✓	✓	✓	✓	✓	✓	✓	✓	9
Yousif Khaled Al Marzouq	0	✓	✓	✓	✓	✓	✓	✓	✓	8
Fahad Abdul Rahman Al Sane	✓	✓	✓	✓	✓	0	0	0	0	5

Recording, coordination, and maintenance of the minutes of Board meetings

The Board maintains written minutes for its meetings, containing:

1. Names of attendees and absence reasons for absentees.
2. Opinions and discussions of Members, and objections, if any.
3. The process of voting and all decisions made.

These minutes are filed along with reports submitted by and to the Board, for easy access. The Secretary communicates the schedules of meeting at least 3 business days beforehand, taking into account urgent meeting. He also present minutes of meeting within 5 business days, and insures that such minutes are approved within 10 business days from the date of conducting the meeting. The Company maintains copies of decisions in its headquarters, and the Secretary is responsible for communicating these decisions to the concerned departments for the required actions.

Main roles of the Board

1. Form the Board Committees According to regulatory requirements.
2. Approve annual and interim financial statements.
3. Approve the Company's Organization Structure as per regulatory requirements.
4. Follow up the Company's strategic plan and achievements.
5. Review Sharia audit reports issued by the Sharia Compliance Department.
6. Approve and review the annual budget.

Board Committees

The Board forms specialized and independent committees in order to enable itself to effectively discharge its responsibilities. The resolution of formation shall mention the Members and Chairman of the Committee, and the starting date of its work. The Board shall also approve Committee Charts, which include the duration of the Committee, its authorities, roles, responsibilities, rights, and the extent of Board supervision thereof. These Committees shall regularly inform the Board of all results and decisions in full transparency.

Risk Management Committee

The Committee aims to assist the Board in the effective supervision over the executive performance regarding risk management, including, without limitation, strategic risks, market risk, compliance risk, and operational risk. The Committee develop and review the policies and guidelines for all matters relating to risk management in line with the Company's risk appetite.

First - Committee formation

- | | |
|------------------------------|----------|
| • Yousif Khaled Al Marzouq | Chairman |
| • Fahad Abdul Rahman Al Sane | Member |
| • Fouad Saleh Al Shehab | Member |

Second - Key roles and responsibilities

1. Assist the Board in identifying and evaluating the acceptable risk level, in addition to understanding and analyzing the nature and size of risks that will encounter the Company in its activities.
2. Provide advice regarding current and future risk strategies and policies, as well as critical points that require making decisions and insuring that such decisions are in line with the size and nature of the Company's activities.
3. Assist the Board in the effective control over the Executive Management regarding the implementation of Board approved risk management strategies.
4. Develop risk standards and indices, and provide the Board with recommendations.
5. Regularly review key risk indicators developed by the Risk Management.
6. Review reports submitted by the Risk Management to the Board, and providing recommendations for enhancements with suggestions for the Executive Management regarding the effective development of risk management practices and procedures.
7. Providing the Board with recommendations regarding the appointment of a Risk Management Officer.
8. Review and provide opinion for risks involving investment products launched or may be launched by the Company.
9. Ensure Company's compliance with the approved risk appetite.

In addition to the above, and to insure independence and integrity, the Company's structure includes an independent risk management role reporting directly to the Risk Management Committee and the Board in compliance with the regulatory requirements of Rule No. (5) in the Governance Rules.

Following is the Risk Committee report about the nature of risks facing the Company's operations as per the periodic risk management reports:

1. Credit risk
2. Foreign currencies risk
3. Operations risk
4. Legal and compliance risk
5. Money Laundering risk
6. Profit rate risk
7. Liquidity risk

Risk factors were handled with precautionary measures in order to mitigate their negative effects, in addition to the fact that the Company operates with a clear and strict framework to avoid unnecessary risks.

(*) the Committee has conducted 4 meetings during 2017, with attendance ration of 75%

Audit Committee

The Audit Committee is responsible for assisting the Board in its duties concerning the supervision over the quality and soundness of accounting and audit practices, internal control, sharia control, financial reporting, and the Company's overall governance framework, in addition to supervising the Company's relations with external auditors and insuring their Independence and integrity.

First - Committee formation

- | | |
|------------------------------|----------|
| • Fouad Saleh Al Shehab | Chairman |
| • Yousif Khaled Al Marzouq | Member |
| • Fahad Abdul Rahman Al Sane | Member |

Second - Key roles and responsibilities

1. Review and approve the annual internal audit plan.
2. Review the annual and interim financial statements, and provide the Board with opinion regarding the same.
3. Follow up with the work of the external auditors.
4. Discuss the report about internal controls sufficiency within the Company and its related risk management.
5. Technical overview for the Internal Audit Department, and continuously insuring its sufficiency in performing all required tasks, in addition to its dependency.
6. Review the performance of the Head of the Internal Audit Department.
7. Discuss the internal audit report from the Internal Auditors, and provide the Board with recommendations.

The Company's structure includes an independent internal audit role reporting directly to the Audit Committee and the Board in compliance with the regulatory requirements in Rule (5) in the Governance Rules.

Third - Board and Executive Management Written undertakings regarding the soundness and integrity of the prepared financial reports.

In compliance with the rules of integrity of financial statements, the Executive Management has undertaken, at its best knowledge, the integrity of the financial statements presentation and reports to the Board of Directors, which in turn has undertaken the integrity of the presentation of the statements to the shareholders, after performing its supervisory role and due diligence to determine the validity, soundness and integrity of the financial statements.

In the context of the work of the Audit Committee and the decisions of the Board, we would like to clarify that there are no conflict between the recommendations of the Audit Committee and the decisions of the Board. In addition, we would like to emphasize the independence and impartiality of the external auditor as it works and expresses its opinion in the interest of the company and its shareholders according to the rules of transparency and justice.

(*) the Committee has conducted 5 meetings during 2017, with attendance ration of 87%

Nominations and Remuneration Committee

The Nomination and Remuneration Committee is responsible for providing the Board with recommendations about nominations and re-nominations of Board and Executive Management Members. The Committee is also responsible for developing a clear policy for the mechanism of evaluating remunerations for Board and Executive Management Members, as per the strategic long-term objectives of the Company. In addition, the Committee approve the succession plan for the Executive Management Staff and key officers, including the succession in case of emergencies or unexpected vacancies, and supervising the Board Members' training plan.

First - Committee formation

- | | |
|----------------------------|----------|
| • Nawaf Hussain Marafi | Chairman |
| • Yousif Khaled Al Marzouq | Member |
| • Fouad Saleh Al Shehab | Member |

Second - Key roles and responsibilities

1. Provide the Board with recommendations regarding nominations and re-nominations of Board Members.
2. Coordinate with the CEO to receive resumes for applicants for executive roles, as required, and assist in discussing and reviewing applications, and providing the Board with recommendations.

3. Review independency standards as per regulatory requirements, and provide recommendations about the same for approval, and to insure independency for all independent Board Members.
4. With coordination with the Executive Management, approve the succession plan for Executive Management Members and key officers, including the succession in case of emergencies or unexpected vacancies. The annual review of the extent of sufficiency of succession for the Executive Management Members and key officers.

Third - Report of the remuneration of the Board and the Executive Management:

The Committee recommends giving annual remuneration to the Board Members. This recommendation is subject to the approval of the Shareholders at the Annual General Assembly Meeting, after being presented by the Chairman. It is worth mentioning that no significant deviations from the Board approved remunerations and incentives policy were observed in calculating the Board remunerations. In this regard, the Committee recommends giving remuneration to the Executive Management and the Financial Manager, to be calculated as per the following criteria:

1. The extent of achieving the Company's strategic objectives.
2. The Company's short term and mid-term performance.
3. The extent of achieving the APIs as per the Company's general strategy, including the financial and non-financial criteria, and whether or not the same led to achieving the Company's objectives and increased its performance rate.

(*) the Committee has conducted 5 meetings during 2017, with attendance ration of 93%

Executive Committee

The Executive Committee constitutes from Board Members to assist the Board in its responsibilities regarding having in place a sound framework for managing the Company's activities, by providing guidance and strategic planning for insuring the efficiency and soundness of workflow. The Committee is responsible for reviewing the Company's strategy, annual work plans, discussing the annual estimated budget and making adjustment to the same. The Committee also performs any other additional tasks assigned by the Board and its Chairman, and provides the Board with recommendations for approval.

First - Committee formation

- | | |
|----------------------------|----------|
| • Nawaf Hussain Marafi | Chairman |
| • Husam Nasser Al Muzaiel | Member |
| • Yousif Khaled Al Marzouq | Member |

Second - Key roles and responsibilities

1. Discuss the motives for attracting investors' funds to be invested in the Company.
2. Follow up with the Company's strategy and its implementation.
3. Follow up with the annual estimated budget with the Executive Management, and make adjustments as required.

(*) the Committee has conducted 4 meetings during 2017, with attendance ration of 100%

Policies and Procedures

Based on the company's commitment to keep up with the of legislative and governance developments in light of the regulatory requirements as stipulated by the CMA Law and its Executive Regulations as well as the related CBK guidelines, the Company has appointed Messrs. EY, Al Aiban & Al Osaimi and Partners, in order to review and update all policies and procedures within the Company to be in line with the best practices in the sound management behavior and governance, and in order to be able to implement these policies practically as well as monitoring the staff required to abide with these policies.

Whistleblowing Policy

In light with the transparency and integrity standards that the Company adopt, the Company encourage its people to report any doubtful behavior within the Company, so that an appropriate correction action can be taken. This culture reflects the ethical standards adopted by the Company in order to create a healthy environment allowing all staff, Executive Management Members, and Board Members to express their thoughts freely and without fear.

Anti-Money Laundering and Terror Financing

The current Manual aims to assist all staff and Executive Management Members in understanding the classifications of money laundering and terror financing, along with the legal requirements for such transactions and how to prevent the same on the entire Company level, in addition to use the legally designated channels for reporting the same, with an attempt of empowering the legal mechanism of cash flow from / to the Company's accounts on a sound accounting basis. With this policy, the Company creates firewalls against money laundering transactions starting from the front desk staff. In achieving these goals, the Company invests in carrying out periodic technical training sessions for all employees, to be well acquainted with the latest practices in the field of anti-money laundering and terror financing.

Stakeholders

The Company is committed to respect and safeguard Stakeholders' rights, considering the huge importance of their contributions in supporting the Company's competitive position and its profitability levels. Such respect and safeguarding comes in light of the various laws concerning regulating the relationship between individuals as well as the contractual relationships between the Company and others. Based on the above, the Company insures that transactions with Board Members are carried out on an arm's length basis, with clear contractual terms including any mechanisms for indemnifying the Stakeholders in case of any breach against the provisions of Sharia.

Shareholders' rights

1. Registration of shareholders' rights: The Company works hard on safeguarding Shareholders' rights by identifying these rights and registering them in its Articles of Association, as well as its books. The Company suggests adjusting these rights for the best interest of the Shareholders and in line with the changes in laws. Following is a highlight of safeguarding Shareholders' rights:

- o Registering the amount of owned equity.
- o The right of receiving the assigned share of dividends in addition to Company's assets.
- o Right of preemption in underwriting.
- o Right of electing Board Members and nomination for Board Membership.
- o Rights discharge and clearance.
- o Right of placing accountability on the Board and filing claims for accountability.
- o Right of calling for General Assembly Meetings, and right of attending such meeting and voting or resolutions.
- o Right of receiving information and statements relating to the Company's activities and operational and investment strategy, regularly.
- o Right of monitoring the Company's general performance and the work of the Board in specific.
- o Right of appointing and replacing external auditors.
- o Right of discharging the Board or any Member thereof.
- o Right of appointing the President of the General Assembly Meeting.
- o Right of discussing and auditing data and information provided by the Board regarding the Company, and seeking the sound financial position of the Company.

2. Seeking accuracy and continuous follow up with Shareholders' data

Further to rights safeguarding, and for the purpose of continuously following up with Shareholders' data, the Company has created a register of Shareholders in Kuwait Clearing Company, including all Shareholders' names, nationalities, place of domicile, and the No. of owned shares. Any change on the mentioned information shall be registered based on the information received by the Company or the clearance agency. Shareholders have the right to view the register as appropriate.

3. Encouraging Shareholders to vote in the Company's meetings

Shareholders' participation in General Assembly Meetings and voting on resolutions is considered an original right. Therefore, the Company encourages Shareholders to attend the different meetings and to vote on resolutions with clear mechanisms for attendance and voting.

Disclosure and transparency

The Company complies the regulatory rules and guidelines issued by CMA, CBK, and other related regulatory bodies, by submitting accurate and actual disclosures for all its significant information related to its activities, within the specified timeframes, also with seeking fairness and equality in granting the right to access such information through the appropriate disclosure channels.

Social responsibility

The Company is committed to act ethically and constantly participates in achieving sustainable development on the economic and social levels. The Company aims to attract skillful national workforce and further strengthen their capabilities, in addition to its participation in fighting the negative behaviors in the money market activities by raising awareness amongst the market dealers, which has a huge effect on the confidence of Kuwait Markets dealers.



Nawaf Hussain Marafi
Chairman

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Audit Committee Report for Dimah Capital

For year ended 31 December 2017

Shareholders of Dimah Capital

Peace be upon you all,

The Board Audit Committee undertook the responsibility of ensuring the reliability and integrity of the Company's financial reporting, as well as the effectiveness and adequacy of the internal controls systems in compliance with the regulatory bodies' requirements. During 2017, the Committee has conducted five meetings and accomplished the following:

1. Review and approved the Company's Internal Audit plan for year 2017;
2. Coordinate with the external auditors and follow up their work, in addition to reviewing the quarterly and annual financial statements, and providing recommendations to the Board of Directors;
3. Review and discuss the Internal Audit Department activities and the accomplishments of the audit plan, including aspects related to information systems, technologies, and security;
4. Review the results of regulatory bodies' reports, and ensuring that all required measures are taken in that regard;
5. Insuring the Company's compliance with the related laws, policies, and regulations; and
6. Review and discuss the appointment letters of external auditors, including the contractual terms and conditions and professional fees, and providing the Board with recommendations in terms of provided services.
7. Appointing an independent audit firm for carrying out an Internal Control Review (ICR) and submit their report to the CMA.
8. Review and discuss the work and reports of the Company's Sharia Audit for the fiscal year ended 31 December 2016.

Based on the Audit Committee responsibility performed during 2017, the Committee believes that the approved and implemented internal controls are sufficient and satisfactory.

Audit Committee Members



Head of Audit Committee
Foad Saleh Al Shehab



Member
Yousif Khaled Al Marzouq



Member
Fahad Abdul Rahman Al Sane'



External Auditor - Independent Auditor
(Al Bazie & Co. - Public Accountants)

**DIMAH CAPITAL INVESTMENT COMPANY - K.S.C. (CLOSED)
AND ITS SUBSIDIARIES (THE GROUP)
STATE OF KUWAIT**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH
INDEPENDENT AUDITOR'S REPORT**

TABLE OF CONTENTS

Independent Auditor's report	29
Consolidated statement of financial position	33
Consolidated statement of profit or loss	34
Consolidated statement of profit or loss and other comprehensive income	35
Consolidated statement of changes in equity	36
Consolidated statement of cash flows	37
Notes to consolidated financial statements	38-59

Independent Auditor's Report

**To the Shareholders
Dimah Capital Investment Company - K.S.C. (Closed)
State of Kuwait**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Dimah Capital Investment Company - K.S.C. (Closed) "The Parent Company" and its subsidiaries (The Group) which comprise the consolidated statement of financial position as of December 31, 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and 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 of December 31, 2017, and its financial performance and its cash flows for the financial year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

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

In preparing the consolidated financial statements, the Parent Company's 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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company'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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's 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 Parent Company or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



Report on Other Legal and Regulatory Requirements

In our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of association, have occurred during the year ended December 31, 2017 that might have had a material effect on the business or financial position of the Parent Company.

We further report that, during the course of our audit, we have not become aware, of any material violations, during the financial year ended December 31, 2017, of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the Organization of the Banking Business, and its related regulations.

We further report that, we have not become aware of any material violations of Law No. 7 of 2010 concerning the Capital Markets Authority and Organization of Security Activity, and its subsequent amendments and its Executive Regulations during the financial year ended December 31, 2017 that might have a material effect on the business or financial position of the Parent Company.

State of Kuwait
March 29, 2018





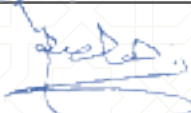

Dr. Shuaib A. Shuaib
Licence No. 33-A
RSM Albazie & Co.


Integrity of the financial statements

For fiscal year ended 31 December 2017

Messer. Shareholders of Dimah Capital Investment Co KSCC

With reference to the provisions of articles 1-5, 2-5, and 3-5 of Chapter Five (Rule IV: “Safeguard the Integrity of Financial Reporting”) / Module Fifteen (Corporate Governance), issued with the Executive Regulations of Resolution No. 72 of 2015 of the CMA Law No. 7 of 2010 as amended, we hereby acknowledge and pledge – to the best of our knowledge – that the Company’s financial statements for the fiscal year ended 31 December 2017 are sound and fairly presented; cover all financial results and operational performance; and have been prepared according to the International Accounting Standards as approved by the CMA.

Name	Title	Signature
Nawaf Hussain Marafi	Chairman Non-executive	
Husam Nasser Al Muzaiel	Deputy Chairman CEO	
Yousif Khaled Al Marzouq	Board Member Non-executive	
Fouad Saleh Al Shehab	Independent Member	
Fahad Abdul Rahman Al Sane	Board Member Non-executive	

<u>ASSETS</u>	Note	<u>2017</u>	2016
Cash on hand and at banks		2,105,194	357,164
Wakala Investments	3	10,748	20,600
Accounts receivable and other debit balances	4	2,410,334	2,045,511
Due from the ultimate Parent Company	5	-	178,930
Financial assets available for sale	6	16,227,278	13,540,663
Investment in associates	7	2,483,059	2,397,259
Investment properties	8	1,499,664	1,499,664
Property and equipment	9	112,201	110,406
Total assets		<u>24,848,478</u>	<u>20,150,197</u>
<u>LIABILITIES AND EQUITY</u>			
Liabilities:			
Accounts payable and other credit balances	10	2,638,939	552,471
Provision for end of service indemnity	11	98,291	62,878
Total liabilities		<u>2,737,230</u>	<u>615,349</u>
Equity:			
Capital	12	15,000,000	15,000,000
Statutory reserve	13	539,883	398,136
Voluntary reserve	14	539,883	398,136
Cumulative change in fair value		2,362,632	522,848
Effect of change in other comprehensive income of associates		248,076	125,313
Retained earnings		3,417,814	3,087,475
Equity attributable to Parent Company's shareholders		<u>22,108,288</u>	19,531,908
Non-controlling interests		2,960	2,940
Total equity		<u>22,111,248</u>	19,534,848
Total liabilities and equity		<u>24,848,478</u>	<u>20,150,197</u>

The accompanying notes (1) to (22) form an integral part of the consolidated financial statements



Nawaf H. Marafi
Chairman



Hosam Nasser Al-Muzaiel
Vice Chairman and Chief Executive Officer

	Note	2017	2016
Revenue:			
Net investment income	15	874,022	555,873
Structuring and marketing income	16	2,261,182	1,060,965
Management income		397,717	444,022
Wakala income		1,282	8,192
Group's share of results from associates	7	(36,963)	(6,174)
Change in fair value of investment properties	8	-	115,370
Gain on sale of property and equipment		50,440	275,034
Property and equipment written off		(3,542)	-
Other income		12,777	85,184
Total revenue		3,556,915	2,538,466
Expenses:			
General and administrative expenses	17	2,103,978	1,223,609
Depreciation	9	35,445	48,498
Total expenses		2,139,423	1,272,107
Profit for the year before contribution to Kuwait Foundation for the Advancement of Science (KFAS), Zakat and Board of Directors' remuneration		1,417,492	1,266,359
Contribution to KFAS		(12,384)	(10,649)
Contribution of Zakat		(11,255)	(11,696)
Board of Directors' remuneration	18	(30,000)	(25,000)
Net profit for the year		1,363,853	1,219,014
Attributable to:			
Parent Company's shareholders		1,363,833	1,219,001
Non-controlling interests		20	13
		1,363,853	1,219,014

The accompanying notes (1) to (22) form an integral part of the consolidated financial statements

	Note	2017	2016
Net profit for the year		<u>1,363,853</u>	<u>1,219,014</u>
Other comprehensive income:			
<u>Items that may be reclassified subsequently to the consolidated statement of profit or loss</u>			
Change in fair value of financial assets available for sale	6	1,845,517	458,539
Transferred to the consolidated statement of profit and loss due to sale of financial assets available for sale		(5,733)	-
Group's share of other comprehensive income from associates	7	122,763	78,003
Other comprehensive income for the year		<u>1,962,547</u>	<u>536,542</u>
Total comprehensive income for the year		<u>3,326,400</u>	<u>1,755,556</u>
Attributable to:			
Parent Company's shareholders		3,326,380	1,755,543
Non-controlling interests		20	13
		<u>3,326,400</u>	<u>1,755,556</u>

The accompanying notes (1) to (22) form an integral part of the consolidated financial statements

DIMAH CAPITAL INVESTMENT COMPANY - K.S.C. (CLOSED) AND ITS SUBSIDIARIES (THE GROUP)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2017
 (All amounts are in Kuwaiti Dinars)

Equity attributable to Parent Company's shareholders

	Capital	Statutory reserve	Voluntary reserve	Cumulative change in fair value	Effect of changes in other comprehensive income of associates	Retained earnings	Sub Total	Non – controlling interests	Total
Balance as of January 1, 2016	15,000,000	271,501	271,501	64,309	47,310	2,121,744	17,776,365	2,927	17,779,292
Total comprehensive income for the year	-	-	-	458,539	78,003	1,219,001	1,755,543	13	1,755,556
Transfer to reserves	-	126,635	126,635	-	-	(253,270)	-	-	-
Balance as of December 31, 2016	15,000,000	398,136	398,136	522,848	125,313	3,087,475	19,531,908	2,940	19,534,848
Total comprehensive income for the year	-	-	-	1,839,784	122,763	1,363,833	3,326,380	20	3,326,400
Cash dividends (Note 18)	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Transfer to reserves	-	141,747	141,747	-	-	(283,494)	-	-	-
Balance as of December 31, 2017	15,000,000	539,883	539,883	2,362,632	248,076	3,417,814	22,108,288	2,960	22,111,248

The accompanying notes (1) to (22) form an integral part of the consolidated financial statements

	2017	2016
Cash flows from operating activities:		
Profit for the year before contribution Kuwait Foundation for the Advancement of Science (KFAS), Zakat and Board of Directors' remuneration	1,417,492	1,266,359
Adjustments:		
Net investment income	(874,022)	(555,873)
Wakala income	(1,282)	(8,192)
Group's share of results from associates	36,963	6,174
Change in fair value of investment properties	-	(115,370)
Gain on sale of property and equipment	(50,440)	(275,034)
Property and Equipment Written off	3,542	-
Depreciation	35,445	48,498
Provision for end of service indemnity	53,235	37,107
	<u>620,933</u>	<u>403,669</u>
Changes in operating assets and liabilities:		
Accounts receivable and other debit balances	(1,815,957)	(1,907,561)
Due from the ultimate Parent Company	228,930	5,530
Accounts payable and other credit balances	1,288,550	43,939
Cash generated from (used in) operations	<u>322,456</u>	<u>(1,454,423)</u>
KFAS paid	-	(2,079)
Zakat paid	-	(2,284)
End of service indemnity paid	(17,822)	(27,481)
Net cash flows generated from (used in) operating activities	<u>304,634</u>	<u>(1,486,267)</u>
Cash flows from investing activities:		
Net movement on Wakala Investments	9,852	2,304,954
Paid for purchase of financial assets available for sale	(249,036)	(2,584,822)
Proceeds from sale of financial assets available for sale	915,115	215,011
Paid for purchase of property and equipment	(40,792)	(108,440)
Proceeds from sale of property and equipment	450	760,000
Wakala income received	1,282	8,192
Dividend income received	812,246	495,790
Net cash flows generated from investing activities	<u>1,449,117</u>	<u>1,090,685</u>
Cash flows from financing activities:		
Paid from capital decrease	(5,721)	(2,493,944)
Net cash flows used in financing activities	<u>(5,721)</u>	<u>(2,493,944)</u>
Net increase (decrease) in cash on hand and at banks	1,748,030	(2,889,526)
Cash on hand and at banks at the beginning of the year	357,164	3,246,690
Cash on hand and at banks at the end of the year	<u>2,105,194</u>	<u>357,164</u>

The accompanying notes (1) to (22) form an integral part of the consolidated financial statements

1. Incorporation and activities

Dimah Capital Investment Company - K.S.C. (Closed) "the Parent Company" (formerly known as Beyoo Finance and Investment - K.S.C. (Closed)) is a Kuwaiti (closed) shareholding company registered in the State of Kuwait, and was incorporated based on Memorandum of Incorporation under Ref. No. 5653 / Volume 1 dated July 15, 2007 and its subsequent amendments, the latest of which was notarized in the commercial registry under Ref. No. 323021 dated November 1, 2015.

The Parent Company's objectives for which it was incorporated are as follows:

- Investment in real estate sectors, industrial, agricultural and other economic sectors, through contributing in incorporation of the related specified companies, or purchasing shares, or bonds of those companies in various sectors.
- Manage public and private institutions funds and invest these funds in various economic sectors and including the management of financial and property portfolios.
- Evaluation and preparation of studies and technical consultations, economic and evaluation and project studies.
- Mediation in lending and borrowing operations.
- Perform the duties of issue managers for bonds issued by companies, institutions and custodians duties.
- Financing and mediation in international trade operation.
- Provide loans to others, taking into account the financial integrity of assets in the granting of loans. With maintaining the continuance of security of the financial position in accordance with conditions, rules and boundaries set by the Central Bank of Kuwait.
- Dealing and trading in the foreign currency market and precious metals market in State of Kuwait and abroad.
- Special operations related to trading securities of buying and selling stocks and corporate bonds.
- Perform all services assessed in developing, supporting the financial and cash market in Kuwait and meeting its needs under the boundaries of the law and the Central Bank of Kuwait instructions and procedures.
- Mobilizing resources to Ijara financing and arranging group Ijara financing, especially for small and medium enterprises.
- Invest money in various aspects of investment approved by the Central Bank of Kuwait. Financing mainly in Ijara manner with requirements of owning transferred and non-transferred asset and leasing them, not including the financing for purchasing consumer goods.
- Owning industrial property rights, patents, commercial and industrial trademarks, business graphics, intellectual property rights and related intellectual programs and literature to other institutions.
- Establishing and managing investment funds for its own and on behalf of others, issuing its units for subscription and acting as custodian or investment manager for leasing and investment funds inside the State of Kuwait and abroad in accordance with laws and resolutions in force in the country.
- Managing the international portfolios, investing and developing money in leasing operations for its own and others accordance with laws and resolutions in force in the country.

The Parent Company is adhering to the provisions of Islamic Shari'a.

The Company is registered in the commercial register under Ref. No. 323021 on August 21, 2007.

The Company is 68.05% owned by Al Intiaz Investment Group Company - K.S.C. (Public) (The ultimate Parent Company).

During previous year, the Parent Company's' Board of Directors had approved the merger with Al Bilad Real Estate Investment Company – K.S.C. (Closed) "related party under common control" and authorize the Vice Chairman and CEO to follow the merger procedures with referring to the Board of Directors for the final approval and accepting the study results before the recommendation to the Shareholders General Assembly.

The Company's registered address is P.O.Box 2152, Safat, State of Kuwait.

The consolidated financial statements were authorized for issue by the Parent Company's Board of Directors on March 29, 2018 and are subject to the approval of the General Assembly of the Parent Company's shareholders. The Annual General Assembly of the Parent Company's Shareholders has the power to amend these consolidated financial statements after issuance.

2. Significant accounting policies

The accompanying consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and with the regulations of the government of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for IAS 39 requirements for collective provision, which has been replaced by the Central Bank of Kuwait requirements for a minimum general provision of 1% for cash facilities and 0.5% for non-cash facilities, (if any) as described under the accounting policy for impairment of financial assets. Significant accounting policies are summarized as follows:

a) Basis of preparation:

The consolidated financial statements are presented in Kuwaiti Dinars which is the functional currency of the Parent Company and are prepared under the historical cost convention, except for the financial assets available for sale and investment properties that are stated on fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions in the process of applying the Group's accounting policies. Significant accounting judgments, estimates and assumptions are disclosed in Note 2 (s).

Standards and Interpretations issued and effective

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the changes due to implementation of the following new and amended International Financial Reporting Standards as of January 1, 2017:

Amendment to IAS 7 – Disclosure Initiative

The amendment to this standard which is effective prospectively for annual periods beginning on or after January 1, 2017 require an entity to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to IFRSs 2014 – 2016 Cycle:

Amendments to IFRS 12 - Disclosure of Interests in Other Entities

IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

These amendments do not have material impact on the consolidated financial statements.

Standards and Interpretations issued but not effective

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

IFRS 9 - Financial Instruments

The standard, effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 specifies how an entity should classify and measure its financial instruments and includes a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an “expected credit loss (ECL)” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, IFRS 9 introduces a substantial overhaul allowing consolidated financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The management is in the process of assessing the full impact of IFRS 9 on the Group's consolidated financial statements based on an analysis of the Group's financial assets and financial liabilities as at December 31, 2017 on the basis of the facts and circumstances that exist at that date.

IFRS 15 - Revenue from contracts with customers

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

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

This standard applies to all revenue arising from contracts with customers (with a core principle based on a five-step model), unless the contracts are in the scope of other standards. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

Based on the current accounting treatment of the Group's major sources of revenue (Note 2(k)) the management do not anticipate that the application of IFRS 15 will have a significant impact on the financial position and/or financial performance of the Group, apart from providing more extensive disclosures on the Group's revenue transactions.

However, as the management are still in the process of assessing the full impact of the application of IFRS 15 on the Group consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

IFRS 16 - Leases

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

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

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

Amendments to IAS 28 – Investment in Associates and Joint Ventures

The amendments clarify that:

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

The amendments should be applied retrospectively and are effective from January 1, 2018, with earlier application permitted.

Amendments to IAS 40 – Transfers of Investment Property

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

The Group is in the process of assessing the potential impact on its consolidated financial statements resulting from the application of the standard.

b) Principles of consolidation:

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

Name of subsidiary	Country of incorporation	Principal activities	Percentage of ownership %	
			2017	2016
Al-Wather for General Trading and Construction Company - W.L.L.	State of Kuwait	General Trading	99	99
Dimah Advisory for Consulting Services W.L.L.	Cayman Islands	Consulting activities	99	99

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

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

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

When the Group has less than a majority of voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. All inter-company balances and transactions, including inter-company profits and unrealized profits and losses are eliminated in full on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Profit or loss and each component of other comprehensive income are attributed to the owners of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. The carrying amounts of the Group's ownership interests and non-controlling interests are adjusted to reflect changes in their relative interests in the subsidiaries. Any difference between the amount by which non-controlling interests are adjusted and fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Parent Company. If the Group loses control over a subsidiary, it:

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

c) Financial instruments:

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

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

Financial assets and financial liabilities carried on the consolidated statement of financial position include cash on hand and at banks, Wakala investments, receivables, due from the ultimate Parent Company, financial assets available for sale, and accounts payable.

• Financial assets:

• Wakala investments:

Wakala investments represent the amounts due to receive for financed assets for others on deferred basis as per Wakala investments facility agreements. Wakala investments balances are reported with full debit balances after deducting finance income amounts pertaining to future periods. Those finance income balances are amortized on a time apportionment basis using effective interest method.

• Accounts receivable:

Receivables are amounts due from customers for services performed in the ordinary course of business and is recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of profit or loss.

• Financial investments

Initial recognition and measurement

The Group classifies financial investments that fall within the scope of IAS 39 as financial assets available for sale. The classification depends on the purpose for which those assets were acquired and is determined at initial recognition by the management.

Financial assets available for sale:

Financial assets available for sale are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

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

Subsequent measurement

After initial recognition, financial assets available for sale are subsequently carried at fair value. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

Unrealized gains and losses arising from changes in the fair value of financial assets available for sale are recognized in cumulative changes in fair value in other comprehensive income.

Where financial assets available for sale could not be measured reliably, these are stated at cost less impairment losses, if any.

When a financial asset available for sale is disposed off or impaired, any prior fair value earlier reported in other comprehensive income is transferred to the consolidated statement of profit or loss.

Derecognition

A financial asset (in whole or in part) is derecognized either when:

- A- the contractual rights to receive the cash flows from the financial asset have expired; or
- B- the Group has transferred its rights to receive cash flows from the financial asset and either
 1. has transferred substantially all the risks and rewards of ownership of the financial asset.
 2. has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset. Where the Group has retained control, it shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. Significant decline is evaluated against the original cost of the financial asset and prolonged against the period in which fair value has been below its original cost. If any such evidence exists for financial assets available for sale, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses recognized in the consolidated statement of profit or loss on available for sale equity instruments are not reversed through the consolidated statement of profit or loss.

• Financial liabilities

• Accounts payable:

Payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

d) Investment properties:

Investment properties comprise completed property, property under construction or re-development held to earn rentals or for capital appreciation or both. Investment properties are initially measured at cost including purchase price and transaction costs. Subsequent to initial recognition, investment properties are stated at their fair value at the end of reporting period. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of profit or loss for the period in which they arise.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

e) Associates:

Associates are those entities in which the Group has significant influence which is the power to participate in the financial and operating policy decisions of the associate but is not control or joint control over those policies. Under the equity method, investment in associates are carried in the consolidated statement of financial position at cost as adjusted for changes in the Group's share of the net assets of the associate from the date that significant influence effectively commences until the date that significant influence effectively ceases, except when the investment is classified as held for sale, in which case it is accounted as per IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

The Group recognizes in its consolidated statement of profit or loss for its share of results of operations of the associate and in its other comprehensive income for its share of changes in other comprehensive income of associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Gains or losses arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment in associates and is assessed for impairment as part of the investment. If the cost of acquisition is lower than the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities, the difference is recognized immediately in the consolidated statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired by applying the requirements of IAS 39 and determine if necessary, to recognize any impairment loss with respect to the investment. If this is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment and the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the consolidated statement of profit or loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

f) Property and equipment:

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to consolidated statement of profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss for the period. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Depreciation is computed on a straight-line basis over the estimated useful life of property and equipment as follows:

	Years
Buildings	25
Computer	3 – 5
Tools and equipment	3
Furniture and fixtures	5
Vehicles	5

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of Property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

g) Impairment of assets:

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

h) Provision for end of service indemnity:

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

i) Dividend distribution to shareholders:

The Group recognizes a liability to make cash to shareholders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Group. A distribution is authorized when it is approved by the shareholders of the Parent Company at the Annual General Meeting. A corresponding amount is recognized directly in equity.

Distributions for the year that are approved after the reporting date are disclosed as an event after the date of consolidated statement of financial position.

j) Capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

k) Revenue recognition:

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Wakala income
Wakala income is recognized, when earned, on a time apportionment basis by using the effective interest method.
 - Dividend income
Dividend income is recognized when the right to receive payment is established.
 - Gain on sale of investments
Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognized at the time of the sale.
 - Structuring, marketing and management services income
Structuring, marketing and management services income are recognized when the service is provided for customers.
 - Other income
Other income are recognized on accrual basis.
- l) Provisions:
A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognized for future operating losses.
- m) Leases:
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. All other leases are classified as finance leases.
- Rentals payable under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.
- n) Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS):
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) is calculated at 1% of the profit attributable to shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Parent Company's share of income from Kuwaiti shareholding associates and transfer to statutory reserve, and any accumulated losses.
- o) Contribution to Zakat:
Zakat is calculated at 1% of the profit attributable to the shareholders of the Parent Company before contribution to KFAS, Zakat, and Board of Directors' remuneration, and after deducting the Company's share of profit from Kuwaiti shareholding associate, and cash dividends received from Kuwaiti shareholding companies in accordance with Law No. 46 of 2006 and Ministerial resolution No. 58 of 2007 and their Executive Regulations.

p) Foreign currencies:

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

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

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

q) Contingencies:

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

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

r) Fiduciary assets:

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

s) Critical accounting estimates and judgments:

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

a) Judgments:

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

- Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The determination of whether the revenue recognition criteria as specified under IAS 18 are met requires significant judgment.

- Classification of land

Upon acquisition of land, the Group classifies the land as investment properties, based on the intention of the management for the use of the land:

- Properties under development
When the intention of the Group is to develop a land in order to sell it in the future, both the land and the construction costs are classified as properties under development.
 - Work in progress
When the intention of the Group is to develop a land in order to rent or to occupy it in the future, both the land and the construction costs are classified as work in progress.
 - Properties held for trading
When the intention of the Group is to sell land in the ordinary course of business, the land are classified as properties held for trading.
 - Investment properties
When the intention of the Group is to earn rentals from land or hold land for capital appreciation or if the intention is not determined for land, the land is classified as investment properties.
- Provision for doubtful debts
The determination of the recoverability of the amount due from customers and the factors determining the impairment of the receivable involve significant judgment.
 - Classification of financial assets
On acquisition of a financial asset, the Group decides whether it should be classified as "at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its financial assets.

The Group classifies financial assets as "at fair value through profit or loss" if they are acquired primarily for the purpose of short term profit making or if they are designated at fair value through statement of profit or loss at inception, provided their fair values can be reliably estimated. All other financial assets are classified as "available for sale".
 - Impairment of financial assets
The Group follows the guidance of IAS 39 to determine when an available-for-sale equity instruments is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, a significant or prolonged decline in the fair value below its cost; and the financial health of and short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The determination of what is "significant" or "prolonged" requires significant judgment.
- b) Estimates and assumptions:
The key assumptions concerning the future and other key sources of estimating uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:
- Fair value of unquoted equity financial assets:
If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

- Provision for doubtful debts:
The extent of provision for doubtful debts involves estimation process. Provision for doubtful debts is made when there is an objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. The benchmarks for determining the amount of provision or write-down include ageing analysis, technical assessment and subsequent events. The provisions and write-down of accounts receivable are subject to management approval.
 - Valuation of investment properties
The Group carries its investment properties at fair value, with change in fair values being recognized in the consolidated statement of profit or loss. Three main methods were used to determine the fair value of the investment properties:
 1. Formula based discounted cash flow is based on a series of projected free cash flows supported by the terms of any existing lease and other contracts and discounted at a rate that reflects the risk of the asset.
 2. Income approach, where the property's value is estimated based on the its income produced, and is computed by dividing the property's net operating income by the expected rate of return on the property in the market, known as 'Capitalization Rate'.
 3. Comparative analysis is based on the assessment made by an independent real estate appraiser using values of actual deals transacted recently by other parties for properties in a similar location and condition, and based on the knowledge and experience of the real estate appraiser.
 - Impairment of non-financial assets:
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.
3. Wakala investments
Wakala investments represent contracts with Islamic financial institution carrying an effective rate of return of 1.875% (2016 –1.5%) per annum that mature within one year.

4. Accounts receivable and other debit balances

	2017	2016
Advance payments (a)	528,797	1,498,567
Accrued structuring and marketing income	1,715,274	333,807
Prepaid expenses and other	90,275	31,383
Accrued management and dividend income	75,988	181,754
	<u>2,410,334</u>	<u>2,045,511</u>

a) Advance payments is represented as follows:

	<u>2017</u>	<u>2016</u>
Advance payments to purchase financial assets available for sale	527,947	1,494,867
Other payments	850	3,700
	<u>528,797</u>	<u>1,498,567</u>

During the year ended December 31, 2016, the Group transferred the advance payments to purchase financial assets available for sale amounting to KD 607,090 to financial assets available for sale (Note 6).

Subsequent to the date of the consolidated statement of financial position, the Group has collected KD 1,092,865 from the outstanding accrued income and has received back the advance payments to purchase financial assets available for sale

5. Related party disclosures

The Group has entered into various transactions with related parties, i.e. the ultimate Parent Company, key management personnel, board of directors, entities under common control and other related parties. Prices and terms of payment are approved by the Group's management. Significant related party balances and transactions are as follows:

Balances included in the consolidated statement of financial position:

	The ultimate Parent Company	Other related parties	<u>2017</u>	<u>2016</u>
Accounts receivable and other debit balances	-	-	-	120,000
Financial assets available for sale	5,331,369	1,322,684	6,654,053	4,992,322
Due from the ultimate Parent Company	-	-	-	178,930
Accounts payable and other credit balances (Note 10)	-	857,935	857,935	-

Transactions included in the consolidated statement of profit or loss:

	The ultimate Parent Company	Other related parties	<u>2017</u>	<u>2016</u>
Net investment income	337,428	-	337,428	202,457
Management income	-	135,000	135,000	251,734
Gain on sale of property and equipment (Note 9)	50,000	-	50,000	275,034

Key management compensation

	<u>2017</u>	<u>2016</u>
Short term benefits	625,204	231,707
Post-employment benefits	20,079	18,012
	<u>645,283</u>	<u>249,719</u>

6. Financial assets available for sale

	<u>2017</u>	<u>2016</u>
Quoted equity securities	5,494,845	3,360,117
Unquoted equity securities	10,154,932	9,297,314
Funds and portfolios	577,501	883,232
	<u>16,227,278</u>	<u>13,540,663</u>

It was not possible to reliably measure the fair value of unquoted financial assets amounting to KD 2,117,707 (2016 – KD 4,511,541) due to non-availability of a reliable method that could be used to determine the fair value of such financial assets. Accordingly, they were stated at their cost less impairment losses.

The movement during the year is as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	13,540,663	10,042,744
Additions (a)	1,743,903	3,191,912
Disposals	(841,305)	(127,536)
Change in fair value	1,845,517	458,539
Impairment loss (Note 15)	(61,500)	(24,996)
Balance at the end of the year	<u>16,227,278</u>	<u>13,540,663</u>

(a) During the year ended December 31, 2016, additions include the transfer from advance payments to purchase financial assets available for sale amounting to KD 607,090 (Note 4).

Financial assets available for sale are denominated in the following currencies:

	<u>2017</u>	<u>2016</u>
Kuwait Dinar	7,878,681	5,904,270
US Dollar	5,187,130	4,479,870
GBP	2,696,067	2,691,123
Bahrain Dinar	465,400	465,400
	<u>16,227,278</u>	<u>13,540,663</u>

7. Investment in associates

The investment in associates consists of the following:

Name of associate	Country of incorporation	Principal activities	Ownership percentage %			
			<u>2017</u>	2016	<u>2017</u>	2016
Ta'azur for Insurance Takaful Company - K.S.C. (Closed)	State of Kuwait	Insurance	30	30	2,483,059	2,316,044
Estdamah Holding Company – K.S.C. (Holding) (a)	State of Kuwait	Holding	28.5	28.5	-	81,215
					<u>2,483,059</u>	<u>2,397,259</u>

a) During the year ended December 31, 2017, the Group had recognized loss on the total balance of associate amounting to KD 81,215; where there is a material uncertainty related to the associate's going concern based on the latest audited financial statements.

The movement during the year was as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	2,397,259	2,325,430
Group's share of results from associates	(36,963)	(6,174)
Group's share of associates other comprehensive income	122,763	78,003
Balance at the end of the year	<u>2,483,059</u>	<u>2,397,259</u>

The Group's share of results of Ta'azur for Insurance Takaful Company - K.S.C. (Closed) is based on financial statements prepared by the management.

8. Investment properties

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	1,499,664	1,384,294
Change in fair value	-	115,370
Balance at the end of the year	<u>1,499,664</u>	<u>1,499,664</u>

Management of the Group has complied with the Executive Regulations of Capital Markets Authority with respect to guidelines for valuation of investment properties.

The fair value of investment properties is based on valuations performed by accredited independent valuation experts using recognized valuation techniques and principles.

In estimating the fair value of investment properties, the valuers had used the valuation techniques listed in the following schedule, and had considered the nature and usage of the investment properties.

<u>Class of investment property</u>	<u>Valuation technique</u>	<u>Level 2</u>
Lands	Comparable market prices	<u>1,499,664</u>

Investment properties are under the name of related party and there is a waiver letter in a favor of the Group. The Group's share of these investment properties is recognized in the consolidated financial statements.

9. Property and equipment

	<u>Buildings</u>	<u>Computer</u>	<u>Tools and equipment</u>	<u>Furniture and fixtures</u>	<u>Vehicles</u>	<u>Total</u>
Cost:						
As of January 1, 2016	738,280	153,505	25,201	19,496	8,000	944,482
Additions	-	3,661	4,664	100,115	-	108,440
Disposals	(738,280)	-	-	-	-	(738,280)
As of December 31, 2016	-	157,166	29,865	119,611	8,000	314,642
Additions	-	22,060	9,900	5,437	3,395	40,792
Disposals	-	(2,202)	-	-	-	(2,202)
Property and equipment written off	-	(8,939)	(9,284)	(19,496)	-	(37,719)
As of December 31, 2017	-	168,085	30,481	105,552	11,395	315,513
Accumulated depreciation:						
As of January 1, 2016	44,337	140,444	24,076	12,295	3,600	224,752
Charge for the year	24,677	9,088	1,115	12,018	1,600	48,498
Related to disposals	(69,014)	-	-	-	-	(69,014)
As of December 31, 2016	-	149,532	25,191	24,313	5,200	204,236
Charge for the year	-	8,610	4,820	20,415	1,600	35,445
Related to disposals	-	(2,192)	-	-	-	(2,192)
Related to property and equipment written off	-	(8,936)	(9,150)	(16,091)	-	(34,177)
As of December 31, 2017	-	147,014	20,861	28,637	6,800	203,312
Net book value:						
As of December 31, 2016	-	7,634	4,674	95,298	2,800	110,406
As of December 31, 2017	-	21,071	9,620	76,915	4,595	112,201

During the year ended December 31, 2016, the Group had sold the buildings to the ultimate Parent Company for an amount of KD 944,300, which resulted in a gain amounting to KD 275,034 (Note 5). During the year ended December 31, 2017, the sale price has been changed which resulted in a gain amounting to KD 50,000 (Note 5).

10. Accounts payable and other credit balances

	<u>2017</u>	<u>2016</u>
Due to related party (Note 5)	857,935	-
Cash dividends payable to Shareholders (Note 18)	750,000	-
Accrued sharea'a Zakat	319,807	334,016
Accrued employees' remuneration	303,300	-
Accrued expenses	75,413	14,484
Accrued staff leave	49,677	42,496
Amount due to a shareholders for capital decrease	42,606	48,327
Accrued Zakat	22,951	11,696
Accrued KFAS	23,033	10,649
Accrued Board of Directors' remuneration (Note 18)	55,000	25,000
Management income received in advance	19,084	14,450
Other credit balances	120,133	51,353
	<u>2,638,939</u>	<u>552,471</u>

11. Provision for end of service indemnity

	<u>2017</u>	<u>2016</u>
Balance at beginning of the year	62,878	53,252
Charge for the year	53,235	37,107
Paid during the year	(17,822)	(27,481)
Balance at the end of the year	<u>98,291</u>	<u>62,878</u>

12. Capital

The authorized, issued and fully paid up capital consists of 150,000,000 shares with nominal value of 100 fils each and all shares are in cash.

13. Statutory reserve

As required by the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), Zakat and Board of Directors' remuneration is transferred to statutory reserve. The Parent Company may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Parent Company's Articles of Association.

14. Voluntary reserve

As required by the Parent Company's Articles of Association, 10% of the profit for the year attributable to equity holders of the Parent Company before contribution to KFAS, Zakat and Board of Directors' remuneration is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon recommendation by the Board of Directors.

15. Net investment income

	<u>2017</u>	<u>2016</u>
Realized gain from sale of financial assets available for sale	90,037	87,475
Impairment loss on financial assets available for sale (Note 6)	(61,500)	(24,996)
Dividend income	845,485	493,394
	<u>874,022</u>	<u>555,873</u>

16. Structuring and marketing income

Structuring and marketing income represent fees on the structuring and marketing of foreign investments, which the Group made agreements with to structure and market the shares of those companies.

17. General and administrative expenses

Staff costs included in general and administrative expenses amounted to KD 1,276,315 (2016 - KD 605,606).

18. General Assembly

The Board of Directors' meeting held on March 29, 2018 proposed to distribute cash dividends of 5 fils per share amounting to KD 750,000 and the board of directors' remuneration of KD 30,000 for the year ended December 31, 2017. This recommendation is subject to the approval of the Shareholders' Annual General Assembly of the Parent Company. The proposed dividend, if approved, shall be distributed to the shareholders registered in the Parent Company's records as of the date of the Shareholders' Annual General Assembly.

The Parent Company Shareholders' Annual General Assembly meeting held on November 13, 2017 had approved the distribution of cash dividends of 5 fils per share amounting to KD 750,000 (Note 10), and board of directors' remuneration amounting to KD 25,000 (Note 10) for the year ended December 31, 2016.

The Parent Company Shareholders' Annual General Assembly meeting held on September 6, 2016 approved not to distribute cash dividends and the board of directors' remuneration for the year ended December 31, 2015.

19. Fiduciary assets

The aggregate value of assets held in a trust or fiduciary capacity by the Parent Company (Items off consolidated statement of financial position) as of December 31, 2017 amounted to KD 89,502,536 (2016 – KD 55,764,101).

20. Financial risk management

In the normal course of business, the Group uses primary financial instruments such as cash on hand and at banks, Wakala investments, receivables, due from the ultimate Parent Company, financial assets available for sale and payables and as a result, is exposed to the risks indicated below.

a) Return rate risk

Financial instruments are subject to the risk of changes in value due to changes in the level of return rate. The effective return rates and the periods in which interest bearing financial assets are repriced or mature are indicated in the respective notes. The Group is not currently exposed significantly to such risk.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets which potentially subject the Group to credit risk consist principally of cash at banks, Wakala investments, receivables and due from the ultimate Parent Company. The cash at banks and Wakala investment are placed with high credit rating financial institutions. Receivables are presented net of provision for doubtful debts.

The Group's maximum exposure arising from default of the counter-party is limited to the carrying amount of cash at banks, Wakala investments, receivables and due from the ultimate Parent Company.

c) Foreign currency risk

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

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate used by the Group against Kuwaiti Dinar:

	2017		2016	
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of comprehensive income (Kuwaiti Dinar)	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated statement of comprehensive income (Kuwaiti Dinar)
US Dollar	±5%	±259,357	±5%	±223,993
Bahrain Dinar	±5%	±23,270	±5%	±23,270
GBP	±5%	±134,803	±5%	±134,556
Total		±417,430		±381,819

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the Group periodically assesses the financial viability of customers and invests in investments that are readily realizable, along with planning and managing the Group's forecasted cash flows by maintaining adequate cash reserves.

Maturity Table for assets and liabilities as follows:

	2017				
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 Years	Total
<u>Assets</u>					
Cash on hand and at banks	2,105,194	-	-	-	2,105,194
Wakala investments	10,748	-	-	-	10,748
Accounts receivable and other debit balances	527,863	1,498	1,880,973	-	2,410,334
Financial assets available for sale	-	-	-	16,227,278	16,227,278
Investment in associates	-	-	-	2,483,059	2,483,059
Investment properties	-	-	-	1,499,664	1,499,664
Property and equipment	-	-	-	112,201	112,201
Total assets	2,643,805	1,498	1,880,973	20,322,202	24,848,478
<u>Liabilities</u>					
Accounts payable and other credit balances	-	-	2,638,939	-	2,638,939
Provision for end of service indemnity	-	-	-	98,291	98,291
Total liabilities	-	-	2,638,939	98,291	2,737,230

	2016				Total
	Up to 1 month	1 - 3 months	3 - 12 months	1 – 5 Years	
<u>Assets</u>					
Cash on hand and at banks	357,164	-	-	-	357,164
Wakala investments	-	-	20,600	-	20,600
Accounts receivable and other debit balances	1,492,162	124,348	429,001	-	2,045,511
Due from the ultimate Parent Company	-	178,930	-	-	178,930
Financial assets available for sale	-	-	-	13,540,663	13,540,663
Investment in associates	-	-	-	2,397,259	2,397,259
Investment properties	-	-	-	1,499,664	1,499,664
Property and equipment	-	-	-	110,406	110,406
Total assets	1,849,326	303,278	449,601	17,547,992	20,150,197
<u>Liabilities</u>					
Account payable and other credit balances	-	-	552,471	-	552,471
Provision for end of service indemnity	-	-	-	62,878	62,878
Total liabilities	-	-	552,471	62,878	615,349

e) Equity price risk:

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

The following table demonstrates the sensitivity to a reasonably possible change in equity indices as a result of change in the fair value of these equity instruments, to which the Group had significant exposure as of the reporting date:

	2017	
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
Kuwait Boursa	±5%	± 274,742
2016		
	Increase (Decrease) against Kuwaiti Dinar	Effect on consolidated other comprehensive income (Kuwaiti Dinar)
Kuwait Boursa	±5%	± 168,006

21. Fair value measurement

The Group measures financial assets such as financial assets available for sale and non-financial assets such as investment properties at fair value 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.
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

The following table shows an analysis of captions recorded at fair value by level of the fair value hierarchy:

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets available for sale	5,494,845	3,528,306	5,086,420	14,109,571
	2016			
	Level 1	Level 2	Level 3	Total
Financial assets available for sale	3,360,117	883,232	4,785,773	9,029,122

As of December 31, the fair values of financial instruments approximate their carrying amounts, with the exception of certain financial assets available for sale carried at cost as indicated in Note (6). The management of the Group has assessed that fair value of its financial instruments approximate their carrying amounts largely due to the short-term maturities of these instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (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 fair value details of investment properties are mentioned in Note 8.

22. Capital risk management

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

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

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